



ASSOCIATION OF AMERICAN RAILROADS

Law Department
Louis P. Warchot
Senior Vice President-Law
and General Counsel

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OCT 23 2009
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October 23, 2009

225921

Honorable Anne K. Quinlan
Acting Secretary
Surface Transportation Board
395 E St., S.W.
Washington, DC 20423

Re: Ex Parte No. 646 (Sub-No. 2), Simplified Standards for Rail Rate Cases—Taxes in
Revenue Shortfall Allocation Method

Dear Secretary Quinlan:

Pursuant to the Board's Order served September 23, 2009, attached please find the submission of the Association of American Railroads (AAR) for filing in the above proceeding.

A copy of the AAR's submission has been served on all parties of record in the above proceeding.

Respectfully submitted,

Louis P. Warchot

Louis P. Warchot
Attorney for the Association of
American Railroads

Attachments

BEFORE THE
SURFACE TRANSPORTATION BOARD

STB Ex Parte No. 646 (Sub-No.2)

SIMPLIFIED STANDARDS FOR RAIL RATE CASES—TAXES IN REVENUE
SHORTFALL ALLOCATION METHOD

SUBMISSION OF THE
ASSOCIATION OF AMERICAN RAILROADS IN RESPONSE TO THE SURFACE
TRANSPORTATION BOARD'S ORDER OF SEPTEMBER 23, 2009

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Date: October 23, 2009

BEFORE THE
SURFACE TRANSPORTATION BOARD

STB Ex Parte No. 646 (Sub – No.2)

SIMPLIFIED STANDARDS FOR RAIL RATE CASES—TAXES IN REVENUE
SHORTFALL ALLOCATION METHOD

SUBMISSION OF THE
ASSOCIATION OF AMERICAN RAILROADS IN RESPONSE TO THE SURFACE
TRANSPORTATION BOARD’S ORDER OF SEPTEMBER 23, 2009

The Association of American Railroads (AAR) hereby responds to the decision of the Surface Transportation Board served September 23, 2009, in which the Board directed the AAR to submit supplemental evidence and calculations in the above proceeding “necessary to establish carrier-specific average state tax rates for each Class I railroad for the year 2008.” Decision at 1. As noted in its decision, the carrier-specific state tax rates requested are used in the Board’s methodology to calculate the revenue shortfall allocation method (RSAM), which is used in the smallest rate cases under its Simplified Standards method. See Simplified Standards for Rail Rate Cases—Taxes in Revenue Shortfall Allocation Method, STB Ex Parte No. 646 (Sub-No. 2) (STB served Nov. 28, 2008). Id.

The Board further noted that in its January 30, 2009 Decision (“January 30 Decision”) in the above proceeding, the Board directed the AAR to submit evidence and calculations pertaining to the carrier-specific weighted state tax rates for the years 2002-

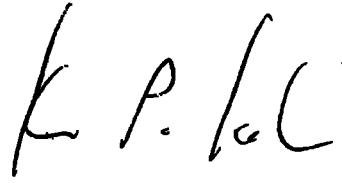
2007. The supplemental evidence now requested is for the purpose of updating that information. Id.¹

The Board specifically directed that the AAR, in its submission, use the 2008 state corporate income tax rates and the number miles operated by each carrier in 2008 for each state in which it operated in 2008. The Board also directed, as it did in its January 30 Decision, that the AAR use information from the railroads' respective R-1 Schedule 702 (Miles of Road at Close of Year—By States and Territories (Single Track)) to calculate the route-mile portion of the average state tax rate equation. Specifically, the Board directed that AAR use column (g) of Schedule 702, which is the total miles operated, including both "line owned" and "line operated under trackage rights." Id at 2. The Board directed the AAR to calculate carrier-specific state tax rates for the 2008 year and to submit all work papers supporting those calculations to the Board. Id. at 2.

Pursuant to the Board's decision, the AAR submits the requested supplemental evidence (including explanatory material) in the attached Verified Statement of John T. Gray, Senior Vice President—Policy and Economics of the Association of American Railroads. A copy of the work papers is being provided to the Board.

¹ The Board also noted that it recently issued a Notice of Proposed Rulemaking requesting comment on its proposal that the AAR annually update the state tax information [Annual Submission of Tax Information for Use in the Revenue Shortfall Allocation Method, STB Ex Parte No. 682 (STB served September 21, 2009) ("RSAM Notice")] and that, although that proceeding is expected to conclude prior to the point at which submission of 2009 state tax information is necessary, there still would be a gap in state tax information for 2008. Id.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'L. P. Warchot'.

Of Counsel:

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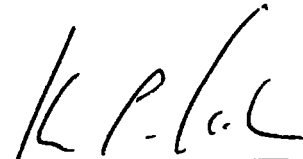
CERTIFICATE OF SERVICE

I hereby certify that on this 23rd day of October, 2009, a copy of the foregoing
Submission of the Association of American Railroads was served by first-class mail on
the following:

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Kenneth P. Kolson

**BEFORE THE
SURFACE TRANSPORTATION BOARD**

EX PARTE NO. 646 (Sub – No. 2)

TAXES IN REVENUE SHORTFALL ALLOCATION METHOD — 2008

VERIFIED STATEMENT

OF

JOHN T. GRAY

SENIOR VICE PRESIDENT — POLICY AND ECONOMICS

ASSOCIATION OF AMERICAN RAILROADS

October 23, 2009

Verified Statement of

John T. Gray

Introduction

My name is John T. Gray. I am Senior Vice President – Policy and Economics for the Association of American Railroads (AAR), with offices at 425 3rd Street SW, Suite 1000, Washington, DC 20024. Among other responsibilities, my duties include the collection, analysis, and presentation of economic data related to railroads and their economic environment. One of my principal duties is conducting and supervising economic, financial, statistical and cost studies dealing with various aspects of the rail industry.

The AAR is the trade association of the Nation's major railroads, as well as the railroads of Canada and Mexico. The AAR's United States railroad members, which include all of the Class I railroads, account for about 95 percent of our Nation's total railroad freight operating revenue.

When appropriate, the AAR represents the railroad industry before government bodies, including participation in economic regulatory proceedings before the Surface Transportation Board ("STB" or "Board"). In particular, the AAR has participated in all of the STB proceedings in Ex Parte No. 646, including sub-dockets thereto.

In this verified statement, I respond to the Board's decision served September 23, 2009 directing the AAR to submit supplemental evidence necessary to establish carrier-specific average state income tax rates for each Class I railroad for 2008. State corporate income tax rates are to be weighted for each railroad using the number of miles of

roadway operated in each state as found in the Schedule 702, column (g), of the railroad's Annual Report Form R-1.

Sources

The two major sources for these calculations are Annual Report Form R-1 and a web site table with state corporate tax information published by the Tax Foundation¹.

The Class I railroads provided additional information regarding tax rates, either to confirm the Tax Foundation rates or to document exceptions that apply to railroads operating in specific states. These exceptions are detailed below.

Annual Report Form R-1

The STB directed the AAR to weight state tax rates using miles operated in each state for each railroad. As the STB noted, milcage operated in each state can be found in column (g) of Schedule 702 of the Annual Report Form R-1 submitted by each Class I railroad to the Board. Table 1 below shows the miles used for 2008. Appendix A contains the individual railroad Schedule 702 pages.

¹ The Tax Foundation is a nonpartisan research and educational group based in Washington, DC.

Table No. 1
State Miles Operated - 2008

State	BNSF	CNGT	CSX	KCS	NS	SOO	UP	Total	
Alabama	244	41	1,014	0	1,372	0	0	2,671	AL
Arizona	595	0	0	0	0	0	642	1,237	AZ
Arkansas	1,047	0	0	162	0	0	1,331	2,540	AR
California	2,130	0	0	0	0	0	3,302	5,432	CA
Colorado	1,399	0	0	0	0	0	1,522	2,921	CO
Connecticut	0	0	68	0	0	0	0	68	CT
Delaware	0	0	44	0	203	0	0	247	DE
Dist. of Columbia	0	0	20	0	13	0	0	33	DC
Florida	0	0	1,651	0	149	0	0	1,800	FL
Georgia	0	0	1,621	0	1,778	0	0	3,399	GA
Idaho	123	0	0	0	0	0	849	972	ID
Illinois	1,552	1,518	918	182	1,260	363	2,204	7,997	IL
Indiana	0	81	1,723	0	1,527	197	4	3,532	IN
Iowa	673	605	0	0	44	0	1,435	2,757	IA
Kansas	1,708	0	0	18	2	0	2,206	3,934	KS
Kentucky	99	107	1,644	0	431	0	12	2,293	KY
Louisiana	348	263	43	737	81	0	1,138	2,610	LA
Maine	0	0	0	0	0	0	0	0	ME
Maryland	0	0	560	0	269	0	0	829	MD
Massachusetts	0	0	430	0	0	0	0	430	MA
Michigan	0	1,016	569	0	642	342	0	2,569	MI
Minnesota	1,686	435	0	0	0	1,240	659	4,020	MN
Mississippi	179	851	94	606	211	0	0	1,941	MS
Missouri	1,759	0	13	396	409	0	1,527	4,104	MO
Montana	1,927	0	0	0	0	0	125	2,052	MT
Nebraska	1,529	0	0	0	0	0	1,068	2,597	NE
Nevada	805	0	0	0	0	0	1,192	1,997	NV
New Hampshire	0	0	0	0	0	0	0	0	NH
New Jersey	0	0	648	0	933	0	0	1,581	NJ
New Mexico	1,357	0	0	0	0	0	618	1,975	NM
New York	0	0	1,290	0	791	0	0	2,081	NY
North Carolina	0	0	1,125	0	1,299	0	0	2,424	NC
North Dakota	1,732	0	0	0	0	482	0	2,214	ND
Ohio	0	7	1,914	0	2,233	30	0	4,184	OH
Oklahoma	1,412	0	0	151	0	0	1,175	2,738	OK
Oregon	386	0	0	0	0	0	1,054	1,440	OR
Pennsylvania	0	155	1,062	0	2,339	0	0	3,556	PA
Rhode Island	0	0	0	0	0	0	0	0	RI
South Carolina	0	0	1,286	0	783	0	0	2,069	SC
South Dakota	925	0	0	0	0	6	0	931	SD
Tennessee	144	145	1,012	5	848	0	14	2,168	TN
Texas	4,941	0	0	908	0	0	6,331	12,180	TX
Utah	434	0	0	0	0	0	1,261	1,695	UT
Vermont	0	0	0	0	0	0	0	0	VT
Virginia	0	0	1,047	0	2,080	0	0	3,127	VA
Washington	1,678	0	0	0	0	0	532	2,210	WA
West Virginia	0	0	1,296	0	833	0	0	2,129	WV
Wisconsin	273	1,514	0	0	0	607	932	3,326	WI
Wyoming	970	0	0	0	0	0	879	1,849	WY
Total U.S.	32,055	6,738	21,092	3,165	20,530	3,267	32,012	118,859	

Note: There is no Class I railroad mileage in Alaska, Hawaii, Maine, New Hampshire, Rhode Island, or Vermont. Mileages are from Annual Report Form R-1, Schedule 702, Column (g).

Tax Rates

The state tax rates used in the computation were initially retrieved from the web site of the Tax Foundation.² Appendix B contains the Tax Foundation table. The rates listed were then reviewed by the AAR and the Class I railroads for accuracy. Changes were made for the following reasons:

1. Some state taxes, for example franchise taxes, are not reported as income taxes by the railroads per requirements of Generally Accepted Accounting Practices (GAAP). Instead, those taxes are treated as franchise fees or similar items, and are reported as an operating expense (Schedule 410, Line 615). In those cases, the state income tax rates reported by the Tax Foundation have been changed to zero.³ The states where this occurs for 2008 are Connecticut, New Jersey, and New York. This change was also made in my Ex Parte No. 646 (Sub No.2) submission dated February 19, 2009.
2. Two state tax rates were not updated accurately by the Tax Foundation. Kansas has lowered its surtax. The 2007 tax rate is 4 percent plus a surtax of 3.35 percent – as reported by the Foundation for 2007 and 2008. However, the surtax has been lowered to 3.1 percent for 2008, making the Kansas tax rate 4 percent plus 3.1 percent, or 7.1 percent. Another state, Michigan, has begun a 4.95 percent income tax as stated by the

² See Tax Foundation web site at <http://www.taxfoundation.org/>. State corporate tax rates are listed by the foundation web site at <http://www.taxfoundation.org/publications/show/230.html>.

³ This means higher revenue causes some increased taxes in operating expenses in cases where a franchise fee is a percentage of revenue, and the Board's Uniform Rail Costing System may not account for the increase until it is updated with new annual report data. Franchise fees appear in the Other Taxes line of URCS Worktable A2 Part 4, and that Worktable is used by Worktable D8 Part 2.

Foundation, but there is a 21.99% surcharge applied for 2008. The surcharge makes the tax rate equal to 4.95% times 1.2199, or 6.038505 percent. Appropriate instructions pages for both states have been included in my work papers. In addition to the changes for Kansas and Michigan, I have also clarified the Arizona tax rate. The Tax Foundation's figure is formatted to print rounded to 7.0 percent, but the actual rate is 6.968 percent. A copy of page 1 of the Arizona tax form is included in my work papers, and 6.968 percent is the same rate used for 2007.

3. In Massachusetts, railroads pay a "Utility Franchise Tax" on income, and this rate is lower than the corporate income tax rate. This tax amount is reported as an income tax in the R-1. This change was also made in my Ex Parte No. 646 (Sub No.2) submission dated February 19, 2009. The appropriate instructions page from the state of Massachusetts has been included in my work papers.
4. For Ohio, a corporate income tax is being phased out and replaced with a tax similar to a franchise fee. In that case, the corporate tax rate was reduced using the state phase out formula (20% for 2008). The new tax being phased in is not computed because it is reported as a fee in operating expenses. (See item 1, above) The phase-out was also used in my Ex Parte No. 646 (Sub No.2) submission dated February 19, 2009.
5. For Texas in 2008, railroads were taxed using a 1 percent tax rate on 70 percent of gross receipts, and the taxes were reported as income taxes. In this case, I have calculated a carrier-specific tax rate for each Class I

railroad using the same procedure used for 2007 in my Ex Parte No. 646 (Sub No. 2) submission dated February 19, 2009. The calculation assumes that the ratio of Operating Revenue to Net Income Before Taxes is the same in all locations where a carrier operates. The tax rate is calculated using Taxes divided by Net Income Before Tax, where Taxes are equal to 70 percent of operating revenue from the R-1 (Schedule 210, Line 13) multiplied by the 1 percent tax rate. Net Income Before Tax is also from the R-1 (Schedule 210, Line 46). The R-1 data for this calculation are summarized and listed in Appendix C. The assumption that the ratio of Operating Revenue to Net Income Before Taxes is constant eliminates the need to make any revenue or cost allocations to Texas, since the result obtained (using the constant ratio) is the same using all revenue or a portion of revenue.

6. For North Dakota, some companies may be required to file their tax return using a worldwide unitary combined report method. Those companies may elect to use North Dakota's "water's edge" method. If this is the case, a 3.5 percent surtax is applied. Soo Line Railroad uses this method, and its North Dakota tax rate has been adjusted to 10.0 percent (6.5 state tax rate + 3.5 surtax). More information on the surtax is provided in the work papers.

Table 2 below lists the tax rates used for 2008. Rates that differ from the Tax Foundation have been shaded and bolded. Comments that begin with "****" denote states that have changes from the AAR's submission for 2007. Five state tax rates are

different from 2007. Two states, Kansas and Michigan, had surtax rates change and were discussed above in item 2 above. In the case of Maryland, the Tax Foundation reports a higher tax rate for 2008. We have verified this increase, and a copy of the relevant Maryland tax page is included in my work papers. The Ohio income tax continues to be phased out in favor of a franchise tax, so the income tax rate is lower per Ohio phase-out rates. For Texas, the tax rate continues to be calculated using one percent of seventy percent of operating revenue for taxes with net income before taxes. (Discussed in item 5 above and calculations are in Appendix D.) Any time the ratio of Net Income Before Taxes to Operating Revenue changes, this calculation will yield a different tax rate. Justifications for the changes from the Tax Foundation numbers, noted above, are included in the work papers.

Table No. 2
State Corporate Tax Rates for 2008

State	Inc. Tax Rate	Comments
Alabama	6.500%	
Arizona	6.968%	
Arkansas	6.500%	
California	8.840%	
Colorado	4.630%	
Connecticut	0.000%	Sole railroad reports in operating expense, so tax rate changed to 0.
Delaware	8.700%	
Dist. of Columbia	9.975%	
Florida	5.500%	
Georgia	6.000%	
Idaho	7.600%	
Illinois	7.300%	
Indiana	8.500%	
Iowa	12.000%	
Kansas	7.100%	*** Decreased 2008 – 4% plus 3.1% surtax (instead of 3.35% surtax from 2007)
Kentucky	6.000%	
Louisiana	8.000%	
Maine	*	No Class I mileage
Maryland	8.250%	*** Increased 2008
Massachusetts	6.500%	Railroads use a Utility tax rate instead of corporate rate.
Michigan	6.039%	*** New 4.95% plus a 21.99% surcharge — $4.95 \times 1.2199 = 6.038505\%$
Minnesota	9.800%	
Mississippi	5.000%	
Missouri	6.250%	
Montana	6.750%	
Nebraska	7.810%	
Nevada	0.000%	None.
New Hampshire	*	No Class I mileage
New Jersey	0.000%	Reported in operating expense, rate changed to zero.
New Mexico	7.600%	
New York	0.000%	Reported in operating expense, rate changed to zero.
North Carolina	6.900%	
North Dakota	6.500%	*** Companies (Soo only) filing using Water's Edge Election add a 3.5% pt. surcharge to 6.5%
Ohio	1.700%	*** Phase-out of income tax and phase-in of franchise fee-like tax. 20% of 8.5%
Oklahoma	6.000%	
Oregon	6.600%	
Pennsylvania	9.990%	
Rhode Island	*	No Class I mileage
South Carolina	5.000%	
South Dakota	0.000%	None
Tennessee	6.500%	
Texas	*	*** Continues to be calculated using 70% of Operating Revenue taxed at 1%, results may differ from last year
Utah	5.000%	
Vermont	*	No Class I mileage
Virginia	6.000%	
Washington	0.000%	None
West Virginia	8.750%	
Wisconsin	7.900%	
Wyoming	0.000%	None

Notes:

There is no Class I railroad mileage in Alaska, Hawaii, or states marked with an "*** (except TX), rates are not collected here.

Tax rates are from the web site of the Tax Foundation, Washington, DC

Bolded tax rates have been adjusted by the AAR from Tax Foundation number.

***** in comments notes that tax rate is changed from prior year.

Calculation

The weighted average state income tax rate for each railroad was calculated using the mileages⁴, as found in Table 1 and Appendix A, and tax rates shown in Table 2.

Table 3 below summarizes our calculations and compares the results for 2008 to the rates approved by the Board for 2007. Calculation detail is in Appendix E.

**Table No. 3
Summary of
Average State Tax Rates**

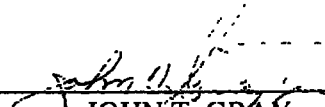
Railroad	2008	2007
BNSF	5.668 %	5.650 %
CNGT	7.593	6.684
CSX	5.746	5.702
KCS	5.859	6.494
NS	6.005	5.986
SOO	8.634	7.501
UP	6.051	6.163

⁴ While we agree that state mileage is a reasonable way to average the tax rates, it should be noted that there may be some cases where a railroad does not have mileage in a state yet pays state taxes.

VERIFICATION

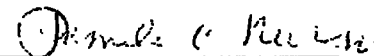
WASHINGTON, D.C.)
) SS.

I, John T. Gray, being duly sworn, state that I have read the foregoing statement, that I know its contents, and that those contents are true as stated.



JOHN T. GRAY

Subscribed and sworn to before me this 23rd day of October 2009.



Notary Public

My Commission expires: **Pamela C. Nwosu
Notary Public, District of Columbia
My Commission Expires 2/14/2012**

Road Initials BNSF

Year 2008

75

702. MILES OF ROAD AT CLOSE OF YEAR - BY STATES AND TERRITORIES (SINGLE TRACK)											
Give particulars, as of the close of the year, of all road operated and of all road owned but not operated. The respondent's proportion of operated road held by it as a joint or common owner, or under a joint lease, or under any joint arrangement, should be shown in columns (b), (c), (d), or (e), as may be appropriate. The remainder of jointly operated mileage should be shown in column (f). Respondent's proportion of road jointly owned but not operated should be shown in column (h), as appropriate. Mileage which has been permanently abandoned should not be included in column (h). Mileage should be reported to the nearest WHOLE mile adjusted in accord with footings, i. e., counting one-half mile and over as a whole mile and disregarding any fraction less than one-half mile											
Line No.	Cross Check	State or territory	Line owned (b)	Line of proprietary companies (c)	Line operated under lease (d)	Line operated under contract, etc. (e)	Line operated under trackage rights (f)	Total mileage operated (g)	Line owned, not operated by respondent (h)	New line constructed during year (i)	Line No.
1		Alabama	115				129	244	17		1
2		Arizona	595					595			2
3		Arkansas	198				849	1,047			3
4		British Columbia	27				11	38	14		4
5		California	1,155				975	2,130	18		5
6		Colorado	770	96			533	1,358	3		6
7		Idaho	122				1	123	33		7
8		Illinois	1,174			2	376	1,552	5		8
9		Iowa	635				38	673			9
10		Kansas	1,230	3			475	1,708	6		10
11		Kentucky				13	86	99			11
12		Louisiana	237				111	348			12
13		Manitoba		4			69	73			13
14		Minnesota	1,594				102	1,696	3		14
15		Mississippi	166				13	179			15
16		Missouri	1,583				166	1,759	15		16
17		Montana	1,908				18	1,927	762		17
18		Nebraska	1,435				94	1,529			18
19		Nevada					805	805			19
20		New Mexico	896				461	1,357	248		20
21		North Dakota	1,716				16	1,732	730		21
22		Oklahoma	1,038				373	1,412	189		22
23		Oregon	235				151	386	127		23
24		South Dakota	887				28	925			24
25		Tennessee	17				127	144			25
26		Texas	2,567	20			2,354	4,941	100		26
27		Utah					434	434			27
28		Washington	1,506				172	1,678	113		28
29		Wisconsin	267				6	273			29
30		Wyoming	965				5	970	5		30
31											31
32		Total Mileage (Single Track)	23,050	123		15	8,978	32,166	2,415		32

Road Initials: GTC Year 2008

75

702. MILES OF ROAD AT CLOSE OF YEAR - BY STATES AND TERRITORIES (SINGLE TRACK)

Give particulars, as of the close of the year, of all road operated and of all owned but not operated. The respondent's proportion of operated road held by it as joint or common owner, or under a joint lease, or under any joint arrangement, should be shown in columns (b), (c), (d), or (e), as may be appropriate. The remainder of jointly operated mileage should be shown in column (f). Respondent's proportion of road jointly owned, not operated, should be shown in column (h), as may be appropriate. Mileage which has been permanently abandoned should not be included in column (h). Mileage should be reported to the nearest WHOLE mile adjusted to accord with footings; i.e., counting one-half mile and over as a whole mile and disregarding any fraction less than one-half mile.

Line No.	Cross Check	State or territory (a)	Line owned (b)	Line of proprietary companies (c)	MILES OF ROAD OPERATED BY RESPONDENT					Line owned not operated by respondent (h)	New line constructed during year (i)	Line No.
					Line operated under contract etc. (e)	Line operated under trackage rights (f)	Total mileage operated (g)	Line operated under lease (d)	Line of proprietary companies (c)			
1												1
2		ALABAMA	41				41					2
3												3
4		ILLINOIS	1,245	1		271	1,518					4
5												5
6		INDIANA	81				81					6
7												7
8		IOWA	605				605					8
9												9
10		KENTUCKY	89			18	107					10
11												11
12		LOUISIANA	259			4	263					12
13												13
14		PENNSYLVANIA	155				155					14
15												15
16		MICHIGAN	942		11	63	1,016					16
17												17
18		MINNESOTA	383			52	435					18
19												19
20		MISSISSIPPI	847			4	851					20
21												21
22		OHIO	7				7					22
23												23
24		TENNESSEE	145				145					24
25												25
26		WISCONSIN	1,470			44	1,514					26
27												27
28												28
29												29
30												30
31												31
32		TOTAL MILEAGE (single track)	6,269	1	12	456	6,738					32

Road Initials: CSX1 Year: 2008

75

702. MILES OF ROAD AT CLOSE OF YEAR - BY STATES AND TERRITORIES (SINGLE TRACK)

Give particulars, as of the close of the year, of all road operated and of all road owned but not operated. The respondent's proportion of operated road held by it as a joint or common owner, or under a joint lease, or under any joint arrangement, should be shown in columns (b), (c), (d) or (e), as may be appropriate. The remainder of jointly operated mileage should be shown in column (f). Respondent's proportion of road jointly owned but not operated should be shown in column (h), as appropriate. Mileage which has been permanently abandoned should not be included in column (h).

Mileage should be reported to the nearest WHOLE mile adjusted to accord with footings; i.e. counting one-half mile and over as a whole mile and disregarding any fraction less than one-half mile.

Line No.	Cross Check	State or territory (a)	MILES OF ROAD OPERATED BY RESPONDENT								Line No.
			Line owned (b)	Line of proprietary companies (c)	Line operated under lease (d)	Line operated under contract, etc. (e)	Line operated under trackage rights (f)	Total mileage operated (g)	Line owned, not operated by respondent (h)	New line constructed during year (i)	
1		Alabama	903	-	-	-	111	1,014	163	-	1
2		Canada - Ontario	-	53	-	-	10	63	-	-	2
3		Canada - Quebec	-	13	30	-	6	49	12	-	3
4		Connecticut	6	-	-	-	62	68	-	-	4
5		Delaware	23	-	-	-	21	44	-	-	5
6		District Of Columbia	18	-	-	-	2	20	-	-	6
7		Florida	1,523	-	-	81	47	1,651	125	-	7
8		Georgia	1,428	-	118	-	75	1,621	147	-	8
9		Illinois	609	35	55	-	219	918	40	-	9
10		Indiana	1,237	212	15	-	259	1,723	225	-	10
11		Kentucky	1,572	15	1	10	46	1,644	53	-	11
12		Louisiana	35	-	-	-	8	43	-	-	12
13		Maryland	452	17	5	-	86	560	-	-	13
14		Massachusetts	266	-	10	-	154	430	8	-	14
15		Michigan	418	-	-	-	151	569	181	-	15
16		Mississippi	74	-	-	-	20	94	-	-	16
17		Missouri	-	-	-	-	13	13	-	-	17
18		New Jersey	63	-	-	-	585	648	2	-	18
19		New York	841	-	195	-	254	1,290	24	-	19
20		North Carolina	1,066	-	-	7	52	1,125	-	-	20
21		Ohio	1,297	-	140	12	465	1,914	244	-	21
22		Pennsylvania	428	47	46	5	536	1,062	86	-	22
23		South Carolina	1,222	-	47	-	17	1,286	12	-	23
24		Tennessee	837	-	15	-	160	1,012	64	-	24
25		Virginia	763	30	-	-	254	1,047	-	-	25
26		West Virginia	1,044	20	16	14	202	1,296	180	-	26
27											27
28											28
29											29
30											30
31											31
32		Total Mileage (Single Track)	16,125	442	693	129	3,815	21,204	1,566	-	35

Road Initials, KCSR Year 2008

75

702. MILES OF ROAD AT CLOSE OF YEAR - BY STATES AND TERRITORIES (SINGLE TRACK)											
Give particulars, as of the close of the year, of all road operated and of all owned but not operated. The respondent's proportion of operated road held by it as joint or common owner, or under a joint lease or under any joint arrangement, should be shown in columns (b), (c), (d) or (e), as may be appropriate. The remainder of jointly operated mileage should be shown in column (f). Respondent's proportion of road jointly owned, not operated, should be shown in column (g), as may be appropriate. Mileage which has been permanently abandoned should not be included in column (h). Mileage should be reported to the nearest WHOLE mile adjusted to accord with footings, i.e. counting one-half mile and over as a whole mile and disregarding and fraction less than one-half mile.											
Line No	State or territory	(a)	Line owned (b)	Line of proprietary companies (c)	Line operated under lease (d)	Line operated under contract, etc. (e)	Line operated under package rights (f)	Total mileage operated (g)	Line owned not operated by respondent (h)	New line constructed during year (i)	Line No
1	Missouri		396	NONE	-	NONE	-	396	-	NONE	1
2											2
3	Kansas		18	-	-	-	-	18	-	-	3
4											4
5	Arkansas		158	-	-	-	4	162	59	-	5
6											6
7	Oklahoma		150	-	-	-	1	151	6	-	7
8											8
9	Louisiana		673	-	2	-	62	737	173	-	9
10											10
11	Texas		507	-	-	-	401	908	-	-	11
12											12
13	Tennessee		5	-	-	-	-	5	-	-	13
14											14
15	Mississippi		586	-	1	-	19	606	54	-	15
16											16
17	Alabama		-	-	-	-	-	-	79	-	17
18											18
19	Illinois		182	-	-	-	-	182	-	-	19
20											20
21											21
22											22
23											23
24											24
25											25
26											26
27											27
28											28
29											29
30											30
31											31
32	TOTAL MILEAGE (single track)		2,675	-	3	-	487	3,165	371	-	32

Railroad Annual Report R-1

Road Initials: NS Rail Year: 2008

75

702. MILES OF ROAD AT CLOSE OF YEAR - BY STATES AND TERRITORIES (SINGLE TRACK)

Give particulars, as of the close of the year, of all road operated and of all owned but not operated. The respondent's portion of operated road held by it as joint or common owner, or under a joint lease, or under any joint arrangement, should be shown in columns (b), (c), (d), or (e), as may be appropriate. The remainder of jointly operated mileage should be shown in column (f). Respondent's proportion of road jointly owned, not operated, should be shown in column (h), as may be appropriate. Mileage which has been permanently abandoned should not be included in column (h). Mileage should be reported to the nearest WHOLE mile adjusted to accord with footings; i.e., counting one-half mile and over as a whole mile and disregarding any fraction less than one-half mile.

Line No.	Cross Check	State or territory (a)	MILES OF ROAD OPERATED BY RESPONDENT								Line No.
			Line owned (b)	Line of proprie- tary companies (c)	Line operated under lease (d)	Line operated under contract etc. (e)	Line operated under trackage rights (f)	Total mileage operated (g)	Line owned not operated by respondent (n)	New line constructed during year (l)	
1		Alabama	1,280				92	1,372	21		1
2		Canada					301	301			2
3		Delaware	160				43	203			3
4		District of Columbia					13	13			4
5		Florida	96				53	149			5
6		Georgia	1,769				9	1,778	326		6
7		Illinois	847				413	1,260	63		7
8		Indiana	1,260		2		265	1,527	60		8
9		Iowa	6			1	37	44	41		9
10		Kansas					2	2			10
11		Kentucky	156		212		63	431			11
12		Louisiana	77				4	81			12
13		Maryland	95				174	269			13
14		Michigan	412				230	642	2		14
15		Mississippi	209				2	211			15
16		Missouri	344				65	409			16
17		New Jersey	126				807	933			17
18		New York	497				294	791	154		18
19		North Carolina	924			11	364	1,299	418		19
20		Ohio	1,825		10		398	2,233	16		20
21		Pennsylvania	1,697			5	637	2,339	135		21
22		South Carolina	679				104	783	16		22
23		Tennessee	666		136		46	848	144		23
24		Virginia	1,973				107	2,080	93		24
25		West Virginia	786				47	833	14		25
26											26
27											27
28											28
29											29
30											30
31											31
32		TOTAL MILEAGE (single track)	15,884		360	17	4,570	20,831	1,503		32

Road Initials: 800 Year: 2008

75

702. MILES OF ROAD AT CLOSE OF YEAR - BY STATES AND TERRITORIES (SINGLE TRACK)

Give particulars, as of the close of the year, of all road operated and of all owned but not operated. The respondent's proportion of operated road held by it as joint or common owner, or under a joint lease, or under any joint arrangement, should be shown in columns (b), (c), (d) or (e), as may be appropriate. The remainder of jointly operated mileage should be shown in column (f). Respondent's proportion of road jointly owned but not operated should be shown in column (h), as appropriate. Mileage which has been permanently abandoned should not be included in column (h).

Mileage should be reported to the nearest WHOLE mile adjusted to accord with footings, i.e., counting one-half mile and over as a whole mile and disregarding any fraction less than one-half mile.

Line No.	Cross Check	State or Territory	MILES OF ROAD OPERATED BY RESPONDENT							Line No.
			Line Owned	Line of Proprietary Companies	Line Operated Under Lease	Line Operated Under Contract, etc.	Line Operated Under Trackage Rights	Total Mileage Operated	Line Owned, Not Operated By Respondent	
(a)		(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	
1		Montana	0	0	0	0	0	57	0	1
2		Michigan	0	0	0	342	342	0	0	2
3		South Dakota	6	0	0	0	6	0	0	3
4		North Dakota	474	0	0	8	482	603	0	4
5		Minnesota	749	0	0	491	1,240	53	0	5
6		Wisconsin	301	0	0	306	607	0	0	6
7		Illinois	22	0	0	341	363	7	0	7
8		Indiana	0	0	0	197	197	0	0	8
9		Kentucky	0	0	0	0	0	1	0	9
10		Ohio	0	0	0	30	30	0	0	10
11										11
12										12
13										13
14										14
15										15
16										16
17										17
18										18
19										19
20										20
21										21
22										22
23										23
24										24
25										25
26										26
27										27
28										28
29										29
30										30
31										31
32		Total Mileage (single track)	1,552	0	0	1,715	3,267	714	0	32

Road Initials: UPRR Year: 2008

75

702. MILES OF ROAD AT CLOSE OF YEAR - BY STATES AND TERRITORIES (SINGLE TRACK)

Give particulars, as of the close of the year, of all road operated and of all owned but not operated. The respondent's proportion of operated road held by it as joint or common owner, or under a joint lease, or under any joint arrangement, should be shown in columns (b), (c), (d), or (e), as may be appropriate. The remainder of jointly operated mileage should be shown in column (f). Respondent's proportion of road jointly owned but not operated should be shown in column (h), as may be appropriate. Mileage which has been permanently abandoned should not be included in column (h).

Mileage should be reported to the nearest WHOLE mile adjusted to accord with footings, i.e., counting one half mile and over as a whole mile and disregarding any fraction less than one-half mile.

Line No.	Cross Check	State or Territory (a)	Line owned (b)	Line of proprietary companies (c)	Line operated under lease (d)	Line operated under contract, etc. (e)	Line operated under trackage rights (f)	Total mileage operated (g)	Line owned, not operated by respondent (h)	New line constructed during year (i)	Line No.
1		Arizona	842	-	-	-	-	842	51	-	1
2		Arkansas	1,320	-	5	-	8	1,331	149	-	2
3		California	2,788	-	-	-	514	3,302	717	-	3
4		Colorado	1,173	-	-	-	349	1,522	184	-	4
5		Idaho	845	-	-	-	4	849	43	-	5
6		Illinois	1,545	17	2	-	840	2,204	11	-	6
7		Indiana	-	-	-	-	4	4	-	-	7
8		Iowa	1,340	-	-	-	95	1,435	6	-	8
9		Kansas	1,504	-	-	-	842	2,208	313	-	9
10		Kentucky	-	-	-	-	12	12	0	-	10
11		Louisiana	1,082	-	-	-	56	1,138	22	-	11
12		Minnesota	435	-	-	-	224	659	16	-	12
13		Missouri	1,015	-	-	-	512	1,527	338	-	13
14		Montana	125	-	-	-	-	125	52	-	14
15		Nebraska	977	-	-	-	81	1,058	254	-	15
16		Nevada	1,192	-	-	-	-	1,192	-	-	16
17		New Mexico	535	-	-	-	83	618	-	-	17
18		Oklahoma	516	-	306	-	353	1,175	19	-	18
19		Oregon	849	-	-	-	205	1,054	437	-	19
20		Tennessee	9	-	-	-	5	14	0	-	20
21		Texas	5,208	-	-	-	1,123	6,331	300	-	21
22		Utah	1,259	2	-	-	-	1,261	82	-	22
23		Washington	272	-	-	-	260	532	90	-	23
24		Wisconsin	601	-	-	-	331	932	108	-	24
25		Wyoming	879	-	-	-	-	878	-	-	25
26											26
27											27
28											28
29											29
30											30
31		TOTAL MILEAGE	26,171	19	313	0	5,509	32,012	3,173	-	31
32		(single track)									32

State Corporate Income Tax Rates

As of January 1, 2008

State	Tax Rates and Special Rates or Notes	
	Brackets	
Alabama	6.5%	Federal deductibility
Alaska	1.0% > \$0 2.0 > 10K 3.0 > 20K 4.0 > 30K 5.0 > 40K 6.0 > 50K 7.0 > 60K 8.0 > 70K 9.0 > 80K 9.4 > 90K	
Arizona	7.0%	Minimum tax is \$50.
Arkansas	1.0% > \$0 2.0 > 3K 3.0 > 6K 5.0 > 11K 6.0 > 25K 6.5 > 100K	
California	8.84%	Minimum tax is \$800. 10.84% on financial institutions. The tax rate on S-Corporations is 1.5% (3.5% for financial S-Corporations). A 6.65% AMT is also imposed.
Colorado	4.63%	
Connecticut	7.5%	Pay higher of income tax or tax on capital (3.1 mills per dollar, with a minimum of \$250 and a maximum of \$1,000,000).
Delaware	8.7%	Banking tax: 8.7% on first \$20 million, 6.7% for next \$5 million, 4.7% for next \$5 million, 2.7% for next \$620 million, and 1.7% for amounts greater than \$650 million. A franchise tax is due on the greater of the tax calculated on authorized shares or gross assets (\$35 minimum, \$165,000 maximum).
Florida	5.5%	Taxpayers who owe federal AMT must pay higher of FL Corp. Inc. Tax or 3.3% alternative minimum rate.
Georgia	6%	

State Corporate Income Tax Rates

As of January 1, 2008

State	Tax Rates and Special Rates or Notes
	Brackets
Hawaii	4.4% > \$0 5.4 > 25K 6.4 > 100K Banks and financial institutions are taxed at 7.92%. An alternative tax on capital gains is imposed at a rate of 4%.
Idaho	7.6% Minimum tax \$20.
Illinois	7.3% Includes 2.5% income replacement tax. 1.5% for S-Corps.
Indiana	8.5%
Iowa	6.0% > \$0 8.0 > 25K 10.0 > 100K 12.0 > 250K 50% federal deductibility. Financial institutions are subject to a 5% franchise tax.
Kansas	4% > \$0 7.35 > 50K
Kentucky	4.% > \$0 5.0 > 50K 6.0 > 100K Corporations must also pay the larger of a gross receipts tax equal to 0.095% of gross sales or 0.75% of gross profits, or a minimum tax of \$175.
Louisiana	4.0% > \$0 5.0 > 25K 6.0 > 50K 7.0 > 100K 8.0 > 200K Federal deductibility. Corporation franchise tax: \$1.50 for each \$1000 up to \$300,000 of capital employed in LA; and \$3 for each \$1000 over \$300,000.
Maine	3.5% > \$0 7.93 > 25K 8.33 > 75K 8.93 > 250K An AMT is imposed at 5.4%. Banks and financial institutions must choose to pay either 1% of income plus 0.008% of assets, or 0.039% of assets only.
Maryland	8.25%
Massachusetts	9.50% There is an additional tax of \$2.60 per \$1,000 on taxable tangible property (or net worth allocable to state, for intangible property corporations); minimum tax of \$456. 10.5% on financial institutions.

State Corporate Income Tax Rates

As of January 1, 2008

State	Tax Rates and Special Rates or Notes	
	Brackets	
Michigan	4.95%	There is an additional modified gross receipts tax (sales minus purchases from other firms) at a rate of 0.8%. Banks pay a tax on net worth at a rate of 0.235%.
Minnesota	9.8%	5.8% alternative minimum tax rate. A minimum tax is levied based on Minnesota property, payroll and sales.
Mississippi	3.0% > \$0 4.0 > 5K 5.0 > 10K	Franchise tax of \$2.50 per \$1,000 with minimum tax of \$25
Missouri	6.25%	Additional franchise tax at 0.0333%. 7% on financial institutions. 50% of federal tax deductible.
Montana	6.75%	7% for corporations filing under a water's edge election. Minimum tax is \$50.
Nebraska	5.58% > \$0 7.81 > 50K	
Nevada	None	
New Hampshire	8.5% > \$50K 9.25 > 150K	Its two corporate taxes – the Business Profits Tax (BPT) and the Business Enterprise Tax (BET) – have different rates and bases. The BPT rate is 8.5% on gross income over \$50K. The BET rate is either 0.75% on gross income over \$150K, or 0.75% on total compensation paid out, including dividends and interest, over \$75K, making 9.25% the top rate a corporation may face.
New Jersey	6.5% > \$0 7.5 > 50K 9.0 > 100K	Companies with income greater than \$100K pay 9% on all income, companies with income greater than \$50K but less than \$100K pay 7.5 % on all income and companies with income under \$50K pay 6.5%. The minimum tax is \$500. An Alternative Minimum Assessment based on Gross Receipts applies if greater than corporate franchise tax for out-of-state companies with New Jersey sales. 4% surtax for 2007.
New Mexico	4.8% > \$0 6.4 > 500K 7.6 > 1,000,000	

State Corporate Income Tax Rates

As of January 1, 2008

State	Tax Rates and Special Rates or Notes Brackets	
New York	7.1%	Businesses pay greatest of regular income tax, 1.5% AMT, 0.178% of capital base, or a fixed dollar minimum tax between \$100 and \$1500. There is an additional 0.09% tax on subsidiary capital.
North Carolina	6.9%	The franchise tax rate is \$1.50 per \$1,000, with a minimum of \$35.
North Dakota	2.6% > \$0 4.1 > 3K 5.6 > 8K 6.4 > 20K 6.5 > 30K	7% for financial institutions with a minimum of \$50. Corporations making a water's-edge election must pay an additional 3.5% tax.
Ohio	5.1% > \$0 8.5 > 50K	A value added-style tax, the Corporate Activities Tax (CAT) was instituted in 2005. It will be phased in through 2010 while the Corporate Franchise Tax (Ohio's income tax) is phased out. Beginning April 1, 2008 the CAT rate is .208% (80% of .26%). For tax year 2008 companies owe 40% of Corporate Franchise Tax liability.
Oklahoma	6.0%	Additional franchise tax of \$1.25 for each \$1,000 of capital invested or used in Oklahoma.
Oregon	6.6%	Minimum tax \$10.
Pennsylvania	9.99%	Imposes a capital stock and foreign franchise tax of 0.289% on taxable income over \$125K. Bank and Trust Company Shares Tax is 1.25%.
Rhode Island	9.0%	Greater of 9% of net income apportioned to Rhode Island, or a franchise tax on authorized capital stock at the rate of \$2.50 for each \$10,000.00 or fractional part thereof (minimum of \$500).
South Carolina	5.0%	4.5% for banks; 6% for savings and loans.
South Dakota	None	6% on a bank's net income. Minimum tax is \$200 per location (banks).
Tennessee	6.5%	Franchise tax of .25% of the greater of net worth or real and tangible property (minimum \$100)
Texas	1.0%	Texas's 1% franchise tax is a gross receipts tax paid by most taxable entities. Retailers pay 0.5%.
Utah	5.0%	Minimum tax \$100.

State Corporate Income Tax Rates

As of January 1, 2008

State	Tax Rates and Special Rates or Notes	
	Brackets	
Vermont	6.0% > \$0 7.0 > 10k 8.5 > 25k	Minimum tax \$250.
Virginia	6.0%	Bank franchise tax is 1.0%.
Washington	Rate Varies	Washington has no income tax but has a gross receipts tax called the Business & Occupation (B&O) Tax which is levied at various rates. The major rates are 0.471% for retail sales, 0.484% for wholesale and manufacturing, and 1.5% for service and other activities.
West Virginia	8.75%	Business franchise tax of .55% of taxable capital, or a minimum of \$50.
Wisconsin	7.9%	
Wyoming	None	
District of Columbia	9.975%	Minimum tax is \$100. Ball park gross receipts tax levied on gross receipts over \$5 million at varying rates.

Sources: Tax Foundation and each state's tax forms and instructions

Tax Foundation

Ph: (202) 464-6200

www.taxfoundation.org



Data from Annual Report Form R-1
(\$000)

Total Railway Operating Revenues Schedule 210, Line 13, Column (b)

Year	RR	Sched	Line	ColB
2008	BNSF	210	13	18,132,372
2008	CNGT	210	13	2,400,269
2008	CSX	210	13	10,219,153
2008	KCS	210	13	1,029,503
2008	NS	210	13	10,661,340
2008	SOO	210	13	865,125
2008	UP	210	13	17,934,844

Income (Loss) from continuing operations (before income taxes) Sch. 210, Line 46, Col. (b)

Year	RR	Sched	Line	ColB
2008	BNSF	210	46	3,737,473
2008	CNGT	210	46	533,745
2008	CSX	210	46	2,148,190
2008	KCS	210	46	177,055
2008	NS	210	46	2,326,362
2008	SOO	210	46	222,289
2008	UP	210	46	3,602,131

16

Road Initials: BNSF

Year 2008

210. RESULTS OF OPERATIONS

(Dollars in Thousands)

1 Disclose requested information for respondent pertaining to results of operations for the year

Cross-Checks

Schedule 210

Schedule 210

Line 15, col b

= Line 62, col b

2 Report total operating expenses from Sched. 410. Any differences between this schedule and Sched. 410 must be explained on page 18.

Lines 47,48,49 col b

= Line 63, col b

Line 50, col b

= Line 64, col b

3 List dividends from investments accounted for under the cost method on line 19, and list dividends accounted for under the equity method on line 25

Line 14, col b

Schedule 410

= Line 620, col h

Line 14, col d

= Line 620, col f

4. All contra entries should be shown in parenthesis

Line 14, col e

= Line 620, col g

Line No	Cross Check	Item	Amount for current year	Amount for preceding year	Freight-related revenue & expenses	Passenger-related revenue & expenses	Line No
		(a)	(b)	(c)	(d)	(e)	
		ORDINARY ITEMS					
		OPERATING INCOME					
		Railway Operating Income					
1		(101) Freight	17,848,082	15,652,973	17,848,082		1
2		(102) Passenger					2
3		(103) Passenger-related					3
4		(104) Switching	30,412	32,463	30,412		4
5		(105) Water transfers					5
6		(106) Demurrage	128,397	97,877	128,397		6
7		(110) Incidental	111,872	119,472	111,872		7
8		(121) Joint facility - credit	13,609	11,313	13,609		8
9		(122) Joint facility - debit					9
10		(501) Railway operating revenues (Exclusive of transfers from government authorities-lines 1-9)	18,132,372	15,914,098	18,132,372		10
11		(502) Railway operating revenues - transfers from government authorities					11
12		(503) Railway operating revenues - amortization of deferred transfers from government authorities					12
13		TOTAL RAILWAY OPERATING REVENUES (lines 10-12)	18,132,372	15,914,098	18,132,372		13
14		(531) Railway operating expenses	14,308,669	12,504,067	14,308,669		14
15		Net revenue from railway operations	3,823,703	3,410,031	3,823,703		15
		OTHER INCOME					
16		(506) Revenue from property used in other than carrier operations					16
17		(510) Miscellaneous rent income					17
18		(512) Separately operated properties - profit					18
19		(513) Dividend income (cost method)	400	400			19
20		(514) Interest income	29,217	201,642			20
21		(516) Income from sinking and other funds					21
22		(517) Release of premiums on funded debt					22
23		(518) Reimbursements received under contracts and agreements					23
24		(519) Miscellaneous income	13,514	35,535			24
25		Income from affiliated companies: 519					
26		a. Dividends (equity method)					25
27		b. Equity in undistributed earnings (losses)					26
27		TOTAL OTHER INCOME (lines 16-26)	43,131	237,577			27
28		TOTAL INCOME (lines 15, 27)	3,866,834	3,647,608			28
		MISCELLANEOUS DEDUCTIONS FROM INCOME					
29		(534) Expenses of property used in other than carrier operations					29
30		(544) Miscellaneous taxes					30
31		(545) Separately operated properties-Loss					31
32		(549) Maintenance of investment organization					32
33		(550) Income transferred under contracts and agreements					33
34		(561) Miscellaneous income charges	27,756	42,455			34
35		(553) Uncollectible accounts					35
36		TOTAL MISCELLANEOUS DEDUCTIONS	27,756	42,455			36
37		Income available for fixed charges	3,839,078	3,605,153			37

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Road Initials: BNSF

Year 2008

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210. RESULTS OF OPERATIONS - Continued (Dollars in Thousands)					
Line No	Cross Check	Item (a)	Amount for current year (b)	Amount for preceding year (c)	Line No
FIXED CHARGES					
		(546) Interest on funded debt:			
38		(a) Fixed interest not in default	98,805	89,788	38
39		(b) Interest in default			39
40		(547) Interest on unfunded debt			40
41		(548) Amortization of discount on funded debt	2,800	2,707	41
42		TOTAL FIXED CHARGES (lines 38 through 41)	101,605	92,495	42
43		Income after fixed charges (line 37 minus line 42)	3,737,473	3,512,658	43
OTHER DEDUCTIONS					
		(548) Interest on funded debt:			
44		(c) Contingent interest			44
UNUSUAL OR INFREQUENT ITEMS					
45		(555) Unusual or infrequent items (debit) credit			45
46		Income (Loss) from continuing operations (before inc. taxes)	3,737,473	3,512,658	46
PROVISIONS FOR INCOME TAXES					
		(556) Income taxes on ordinary income			
47	*	(a) Federal income taxes	868,382	948,476	47
48	*	(b) State income taxes	151,600	132,319	48
49	*	(c) Other income taxes			49
50	*	(557) Provision for deferred taxes	395,857	275,214	50
51		TOTAL PROVISION FOR INCOME TAXES (lines 47 through 52)	1,413,839	1,357,009	51
52		Income from continuing operations (line 46 minus line 51)	2,323,634	2,155,649	52
DISCONTINUED OPERATIONS					
53		(560) Income or loss from operations of discontinued segments (less applicable income taxes of \$)			53
54		(562) Gain or loss on disposal of discontinued segments (less applicable income taxes of \$)			54
55		Income before extraordinary items (lines 52 through 54)	2,323,634	2,155,649	55
EXTRAORDINARY ITEMS AND ACCOUNTING CHANGES					
56		(570) Extraordinary items (Net)			56
57		(590) Income taxes on extraordinary items			57
58		(591) Provision for deferred taxes - Extraordinary items			58
59		TOTAL EXTRAORDINARY ITEMS (lines 56 through 58)			59
60		(592) Cumulative effect of changes in accounting principles (less applicable income taxes of \$)			60
61	*	Net income (Loss) (lines 55 + 59 + 60)	2,323,634	2,155,649	61
RECONCILIATION OF NET RAILWAY OPERATING INCOME (NROI)					
62	*	Net revenues from railway operations	3,823,703	3,410,031	62
63	*	(556) Income taxes on ordinary income (-)	1,017,982	1,081,795	63
64	*	(557) Provision for deferred income taxes (-)	395,857	275,214	64
65		Income from lease of road and equipment (-)	12,848	12,848	65
66		Rent for leased roads and equipment (+)			66
67		Net railway operating income (loss)	2,397,016	2,040,174	67

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Road Initials: GTC Year 2008

210 - RESULTS OF OPERATIONS						
(Dollars in Thousands)						
1. Disclose requested information for respondent pertaining to results of operations for the year			Cross - Checks		Schedule 210	
2. Report total operating expenses from Sched 410. Any differences between this schedule and Sched 410 must be explained on page 18.			Schedule 210		Schedule 210	
3. List dividends from investments accounted for under the cost method on line 19, and list dividends accounted for under the equity method on line 25.			Line 15, col b		= Line 62, col b	
4. All contra entries should be shown in parenthesis			Lines 47, 48, 49 col b		= Line 63, col b	
			Line 50, col b		= Line 64, col b	
			Line 14, col b		Schedule 410	
			Line 14, col d		= Line 620, col h	
			Line 14, col e		= Line 620, col f	
					= Line 620, col g	
Line No.	Cross Check	Item	Amount for current year	Amount for preceding year	Freight-related revenue & expenses	Passenger-related revenue & expenses
		(a)	(b)	(c)	(d)	(e)
ORDINARY ITEMS						
OPERATING INCOME						
Railway Operating Income						
1		(101) Freight	2,243,002	2,121,293	2,243,002	-
2		(102) Passenger	-	-	-	-
3		(103) Passenger - related	-	-	-	-
4		(104) Switching	54,288	54,357	54,288	-
5		(105) Water Transfers	-	-	-	-
6		(106) Demurrage	31,094	27,417	31,094	-
7		(110) Incidental	68,210	50,797	68,210	-
8		(121) Joint Facility - credit	-	-	-	-
9		(122) Joint Facility - debit	-	-	-	-
10		(501) Railway operating revenues (Exclusive of transfers from government authorities - lines 1 - 9)	2,396,594	2,253,864	2,396,594	-
11		(502) Railway operating revenues - transfer from government authorities	3,132	3,479	3,132	-
12		(503) Railway operating revenues - amortization of deferred transfers from government authorities	543	544	543	-
13		TOTAL RAILWAY OPERATING REVENUES (Lines 10 - 12)	2,400,269	2,257,887	2,400,269	-
14	*	(531) Railway operating expenses	1,642,966	1,429,650	1,642,966	-
15	*	Net revenue from railway operations	757,303	828,237	757,303	-
OTHER INCOME						
16		(506) Revenue from property used in other than carrier operations	-	-	-	-
17		(510) Miscellaneous rent income	4,463	5,317	-	-
18		(512) Separately operated properties - profit	-	-	-	-
19		(513) Dividend income (cost method)	-	-	-	-
20		(514) Interest income	-	-	-	-
21		(516) Income from sinking and other funds	-	-	-	-
22		(517) Release of premiums on funded debt	-	-	-	-
23		(518) Reimbursements received under contracts and agreements	-	-	-	-
24		(519) Miscellaneous income	36,214	44,918	-	-
25		Income from affiliated companies: 519	-	-	-	-
26		a) Dividends (equity method)	-	-	-	-
27		b) Equity in undistributed earnings (losses)	(12,158)	53,668	-	-
28		TOTAL OTHER INCOME (Lines 16 - 26)	28,519	103,903	-	-
29		TOTAL INCOME (Lines 15, 27)	785,822	932,140	-	-
MISCELLANEOUS DEDUCTIONS FROM INCOME						
30		(534) Expense of property used in other than carrier operations	-	-	-	-
31		(544) Miscellaneous taxes	-	-	-	-
32		(545) Separately operated properties - Loss	-	-	-	-
33		(549) Maintenance of investment organizations	-	-	-	-
34		(550) Income transferred under contracts and agreements	-	-	-	-
35		(551) Miscellaneous income charges	6,717	6,681	-	-
36		(553) Uncollectible accounts	-	-	-	-
37		TOTAL MISCELLANEOUS DEDUCTIONS	6,717	6,681	-	-
38		Income available for fixed charges	779,105	925,459	-	-

Road Initials GTC Year 2008

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210 - RESULTS OF OPERATIONS - Continued					
(Dollars in Thousands)					
Line No.	Cross Check		Item (a)	Amount for current year (b)	Amount for preceding year (c)
FIXED CHARGES					
		(546)	Interest on funded debt:		
38			(a) Fixed interest not in default	245,245	249,681
39			(b) Interest in default	-	-
40		(547)	Interest on unfunded debt	1	91
41		(548)	Amortization of discount on funded debt	114	171
42			TOTAL FIXED CHARGES (Lines 38 - 41)	245,360	249,943
43			Income after fixed charge (Line 37 - Line 42)	533,745	675,516
OTHER DEDUCTIONS					
		(546)	Interest on funded debt:		
44			(c) Contingent interest	-	-
UNUSUAL OR INFREQUENT ITEMS					
45		(555)	Unusual or infrequent items (debit) credit	-	-
46			Income (Loss) from continuing operations (before inc. taxes)	533,745	675,516
PROVISIONS FOR INCOME TAXES					
		(556)	Income taxes on ordinary income:		
47	*		a) Federal income taxes	95,773	122,811
48	*		b) State income taxes	23,844	23,053
49	*		c) Other income taxes	5,998	-
50	*	(557)	Provision for deferred taxes	56,064	95,802
51			TOTAL PROVISIONS FOR INCOME TAXES (Lines 47 - 52)	181,679	241,666
52			Income from continuing operations (line 46 minus line 51)	352,066	433,850
DISCONTINUED OPERATIONS					
53		(560)	Income or loss from operations of discontinued segments (less applicable income of \$)	-	-
54		(562)	Gain or loss on disposal of discontinued segments (less applicable income of \$)	-	-
55			Income before extraordinary items (Line 52 - 54)	352,066	433,850
EXTRAORDINARY ITEMS AND ACCOUNTING CHANGES					
56		(570)	Extraordinary items (Net)	-	-
57		(590)	Income taxes on extraordinary items	-	-
58		(591)	Provision for deferred taxes - Extraordinary items	-	-
59			TOTAL EXTRAORDINARY ITEMS (Lines 56 - 58)	-	-
60		(592)	Cumulative effect of changes in accounting principles (less applicable income taxes of \$)	-	-
61	*		Net income (loss) (lines 55 + 59 + 60)	352,066	433,850
RECONCILIATION OF NET RAILWAY OPERATING INCOME (NROI)					
62	*		Net revenues from railway operations	757,303	828,237
63	*	(556)	Income taxes on ordinary income (-)	125,615	145,864
64	*	(557)	Provision for deferred taxes (-)	56,064	95,802
65			Income from leased road and equipment (-)	-	-
66			Rent for leased road and equipment (+)	1,350	1,377
67			Net railway operating income (loss)	576,974	587,948

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Read Initials: CSXT Year: 2008

210. RESULTS OF OPERATIONS
(Dollars in Thousands)

1. Disclose requested information for respondent pertaining to results of operations for the year.
2. Report total operating expenses from Sched 410. Any differences between this schedule and Sched 410 must be explained on page 18.
3. List dividends from investments accounted for under the cost method on line 19, and list dividends accounted for under the equity method on line 25.
4. All contra entries should be shown in parenthesis.

Cross-Checks

Schedule 210
Line 15, col b
Lines 47,48,49 col b
Line 50, col b

Schedule 210
= Line 62, col (b)
= Line 63, col (b)
= Line 64, col (b)

Schedule 410
= Line 620, col h
= Line 620, col f
= Line 620, col g

Line No	Cross Check	Item	Amount for current year	Amount for preceding year	Freight related revenue & expenses	Passenger-related revenue & expenses	Line No.
		(a)	(b)	(c)	(d)	(e)	
		ORDINARY ITEMS					
		OPERATING INCOME					
		Railway Operating Income					
1		(101) Freight	10,041,556	8,879,824	10,041,556		1
2		(102) Passenger	-	-	-		2
3		(103) Passenger-related	-	-	-		3
4		(104) Switching	(123,259)	(107,968)	(123,259)		4
5		(105) Water transfers	-	-	-		5
6		(106) Demurrage	68,194	69,816	68,194		6
7		(110) Incidental	232,662	197,407	232,662		7
8		(121) Joint facility - credit	-	-	-		8
9		(122) Joint facility - debit	-	-	-		9
10		(501) Railway operating revenues (Exclusive of transfers from government authorities lines 1-9)	10,219,153	9,039,079	10,219,153	-	10
11		(502) Railway operating revenues - transfers from government authorities	-	-	-		11
12		(503) Railway operating revenues - amortization of deferred transfers from government authorities	-	-	-		12
13		TOTAL RAILWAY OPERATING REVENUES (lines 10-12)	10,219,153	9,039,079	10,219,153	-	13
14		(531) Railway operating expenses	8,033,923	7,353,818	8,033,923		14
15		Net revenue from railway operations	2,185,230	1,685,261	2,185,230		15
		OTHER INCOME					
16		(506) Revenue from property used in other than carrier operations	25,634	54,215			16
17		(510) Miscellaneous rent income	35,715	33,398			17
18		(512) Separately operated properties - profit	-	-			18
19		(513) Dividend income (cost method)	5,751	4,196			19
20		(514) Interest income	56,271	104,788			20
21		(516) Income from sinking and other funds	-	-			21
22		(517) Release of premiums on funded debt	-	-			22
23		(518) Reimbursements received under contracts and agreements	-	-			23
24		(519) Miscellaneous income	8,271	8,949			24
25		Income from affiliated companies: 519					
25		a. Dividends (equity method)	-	-			25
26		b. Equity in undistributed earnings (losses)	37,465	7,107			26
27		TOTAL OTHER INCOME (lines 16-26)	169,107	212,653			27
28		TOTAL INCOME (lines 15, 27)	2,354,337	1,897,914			28
		MISCELLANEOUS DEDUCTIONS FROM INCOME					
29		(534) Expenses of property used in other than carrier operations	(39,047)	(38,778)			29
30		(544) Miscellaneous taxes	-	-			30
31		(545) Separately operated properties - Loss	-	-			31
32		(549) Maintenance of investment organization	-	-			32
33		(550) Income transferred under contracts and agreements	-	-			33
34		(551) Miscellaneous income charges	(81,446)	(190,049)			34
35		(553) Uncollectible accounts	-	-			35
36		TOTAL MISCELLANEOUS DEDUCTIONS	(120,493)	(228,827)			36
37		Income available for fixed charges	2,233,844	1,669,087			37

Road Initials: CSXT Year: 2008

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210. RESULTS OF OPERATIONS - Continued (Dollars in Thousands)					
Line No.	Cross Check	Item (a)	Amount for current year (b)	Amount for preceding year (c)	Line No.
FIXED CHARGES					
38		(546) Interest on funded debt:			
		(a) Fixed interest not in default	82,991	69,178	38
39		(b) Interest in default	-	-	39
40		(547) Interest on unfunded debt	8,292	5,773	40
41		(548) Amortization of discount on funded debt	(5,629)	(6,677)	41
42		TOTAL FIXED CHARGES (lines 38 through 41)	85,654	68,274	42
43		Income after fixed charges (line 37 minus line 42)	2,148,190	1,600,813	43
OTHER DEDUCTIONS					
44		(546) Interest on funded debt:			
		(c) Contingent interest	-	2	44
UNUSUAL OR INFREQUENT ITEMS					
45		(555) Unusual or infrequent items (debit) credit	-	-	45
46		Income (Loss) from continuing operations (before inc. taxes)	2,148,190	1,600,811	46
PROVISIONS FOR INCOME TAXES					
		(556) Income taxes on ordinary income:			
47		(a) Federal income taxes	305,922	378,485	47
48		(b) State income taxes	67,546	40,636	48
49		(c) Other income taxes	785	-	49
50		(557) Provision for deferred taxes	353,210	190,156	50
51		TOTAL PROVISION FOR INCOME TAXES (lines 47 through 50)	727,463	609,277	51
52		Income from continuing operations (line 46 minus line 51)	1,420,727	991,534	52
DISCONTINUED OPERATIONS					
53		(560) Income or loss from operations of discontinued segments (less applicable income taxes of \$ 0)	-	-	53
54		(562) Gain or loss on disposal of discontinued segments (less applicable income taxes of \$ 0)	-	-	54
55		Income before extraordinary items (lines 52 through 54)	1,420,727	991,534	55
EXTRAORDINARY ITEMS AND ACCOUNTING CHANGES					
56		(570) Extraordinary items (Net)	-	-	56
57		(590) Income taxes on extraordinary items	-	-	57
58		(591) Provision for deferred taxes - Extraordinary items	-	-	58
59		TOTAL EXTRAORDINARY ITEMS (lines 56 through 58)	-	-	59
60		(592) Cumulative effect of changes in accounting principles (less applicable income taxes of \$ 0).	-	-	60
61		Net income (Loss) (lines 55 + 59 + 60)	1,420,727	991,534	61
RECONCILIATION OF NET RAILWAY OPERATING INCOME (NROI)					
62		Net revenues from railway operations	2,185,230	1,685,261	62
63		(556) Income taxes on ordinary income (-)	(374,253)	(419,121)	63
64		(557) Provision for deferred income taxes (-)	(353,210)	(190,156)	64
65		Income from lease of road and equipment (-)	(22,852)	-	65
66		Rent for leased roads and equipment (+)	13,893	14,027	66
67		Net railway operating income (loss)	1,448,808	1,090,011	67

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Road Initials KCSR Year 2006

210. RESULTS OF OPERATIONS (Dollars in Thousands)							
1. Disclose the requested information for the respondent pertaining to the results of operations for the year.				4 All contra entries hereunder should be indicated in parentheses			
2. Report total operating expenses from Schedule 410 of this report. Any disparities in expense amounts shown in this schedule and expense amounts reported in Schedule 410 must be fully explained on page 18				5 Cross checks.			
3. List dividends from investments accounted for under the cost method on the appropriate line No. 19 for Account No. 513. "Dividend Income." List dividends accounted for by the equity method on the appropriate dividend line No. 25 under the "Income from Affiliated Companies" subsection of this schedule.				Schedule 210 Line 15, column (b) Line 47 plus 48 plus 49, column (b) Line 50, column (b) Line 14, column (b) Line 14, column (d) Line 14, column (e)			
				Schedule 210 = Line 52, column (b) = Line 53, column (b) = Line 54, column (b) Schedule 410 = Line 520, column (h) = Line 520, column (f) = Line 520, column (g)			
Line No.	Cross Check	Item (a)	Amount for current year (b)	Amount for preceding year (c)	Freight-related revenue & expenses (d)	Passenger-related revenue & expenses (e)	Line No.
		ORDINARY ITEMS					
		OPERATING INCOME					
		Railway Operating Income					
1		(101) Freight	980,022	880,149	980,022	NONE	1
2		(102) Passenger	-	-	-	-	2
3		(103) Passenger-Related	-	-	-	-	3
4		(104) Switching	17,381	20,779	17,381	-	4
5		(105) Water Transfers	-	-	-	-	5
6		(106) Demurrage	23,421	18,372	23,421	-	6
7		(110) Incidental	8,679	6,626	8,679	-	7
8		(121) Joint Facility - Credit	-	-	-	-	8
9		(122) Joint Facility - Debit	-	-	-	-	9
10		(501) Railway Operating Revenues (Exclusive of Transfers from Government Authorities - Lines 1-9)	1,029,503	925,926	1,029,503	-	10
11		(502) Railway Operating Revenues - Transfers from Government Authorities for Current Operations	-	-	-	-	11
12		(503) Railway Operating Revenues - Amortization of Deferred Transfers from Government Authorities	-	-	-	-	12
13		TOTAL RAILWAY OPERATING REVENUES (Lines 10-12)	1,029,503	925,926	1,029,503	-	13
14		(531) Railway Operating Expenses	851,965	770,390	851,965	-	14
15		Net Revenue from Railway Operations	177,538	155,536	177,538	-	15
		OTHER INCOME					
16		(506) Revenue from Property Used in Other Than Carrier Operations	82	17	-	-	16
17		(510) Miscellaneous Rent Income	40	-	-	-	17
18		(512) Separately Operated Properties - Profit	-	-	-	-	18
19		(513) Dividend Income (Cost Method)	2	2	-	-	19
20		(514) Interest Income	1,253	2,600	-	-	20
21		(516) Income from Sinking and Other Funds	-	-	-	-	21
22		(517) Release of Premiums on Funded Debt	-	-	-	-	22
23		(518) Reimbursements Received under Contracts and Agreements	-	-	-	-	23
24		(519) Miscellaneous Income	8,170	5,504	-	-	24
		Income from Affiliated Companies: 519					
25		a Dividends (Equity Method)	-	-	-	-	25
26		b Equity in Undistributed Earnings (Losses)	56,614	4,818	-	-	26
27		TOTAL OTHER INCOME (Lines 16-26)	66,161	12,941	-	-	27
28		TOTAL INCOME (Lines 15, 27)	243,699	168,477	-	-	28
		MISCELLANEOUS DEDUCTIONS FROM INCOME					
29		(534) Expenses of Property Used in Other Than Carrier Operations	22	22	-	-	29
30		(544) Miscellaneous Taxes	-	-	-	-	30
31		(545) Separately Operated Properties - Loss	-	-	-	-	31
32		(548) Maintenance of Investment Organization	-	-	-	-	32
33		(550) Income Transferred under Contracts and Agreements	-	-	-	-	33
34		(551) Miscellaneous Income Charges	1,105	206	-	-	34
35		(553) Uncollectible Accounts	-	(3,221)	-	-	35
36		TOTAL MISCELLANEOUS DEDUCTIONS (Lines 29-35)	1,127	(2,993)	-	-	36
37		Income Available for Fixed Charges (Lines 28, 36)	242,572	171,470	-	-	37

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Road Initials KCSR Year 2008

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210. RESULTS OF OPERATIONS - Concluded (Dollars in Thousands)					
Line No.	Cross Check	Item (a)	Amount for current year (b)	Amount for preceding year (c)	Line No.
FIXED CHARGES					
		(546) Interest on Funded Debt:			
38		(a) Fixed Interest Not in Default	56,822	62,907	38
39		(b) Interest in Default	-	-	39
40		(547) Interest on Unfunded Debt	(871)	1,049	40
41		(548) Amortization of Discount on Funded Debt	9,566	4,323	41
42		TOTAL FIXED CHARGES (Lines 38-41)	65,517	68,279	42
43		Income after Fixed Charges (Lines 37, 42)	177,055	103,191	43
OTHER DEDUCTIONS					
44		(546) Interest on Funded Debt:			
		(c) Contingent Interest	-	-	44
UNUSUAL OR INFREQUENT ITEMS					
45		(555) Unusual or Infrequent Items (Debit) Credit	-	-	45
46		Income (Loss) from Continuing Operations (before Income Taxes)	177,055	103,191	46
PROVISIONS FOR INCOME TAXES					
		(556) Income Taxes on Ordinary Income:			
47		(a) Federal Income Taxes	768	-	47
48		(b) State Income Taxes	(127)	545	48
49		(c) Other Income Taxes	-	-	49
50		(557) Provision for Deferred Taxes	40,652	27,017	50
51		TOTAL PROVISIONS FOR INCOME TAXES (Lines 47-50)	41,293	27,502	51
52		Income from Continuing Operations (Lines 46-51)	135,762	75,629	52
DISCONTINUED OPERATIONS					
53		(560) Income or Loss from Operations of Discontinued Segments (Less Applicable Income Taxes of \$ -)	-	-	53
54		(562) Gain or Loss on Disposal of Discontinued Segments (Less Applicable Tax of \$ -)	-	-	54
55		Income before Extraordinary Items (Lines 52 + 53 + 54)	135,762	75,629	55
EXTRAORDINARY ITEMS AND ACCOUNTING CHANGES					
56		(570) Extraordinary Items (net)	-	-	56
57		(590) Income Taxes on Extraordinary Items	-	-	57
58		(591) Provision for Deferred Taxes - Extraordinary Items	-	-	58
59		TOTAL EXTRAORDINARY ITEMS (Lines 56-58)	-	-	59
60		(582) Cumulative Effect of Changes in Accounting Principles (Less Applicable Tax of \$ -)	-	-	60
61		Net Income (Loss) (Lines 55 + 59 + 60)	135,762	75,629	61
RECONCILIATION OF NET RAILWAY OPERATING INCOME (NROI)					
62		Net Revenues from Railway Operations	177,538	155,536	62
63		(556) Income Taxes on Ordinary Income (-)	641	545	63
64		(557) Provision for Deferred Taxes (-)	40,652	27,017	64
65		Income from Lease of Road and Equipment (-)	-	-	65
66		Rent for Leased Roads and Equipment (+)	92	792	66
67		Net Railway Operating Income (Loss)	136,337	126,766	67

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Road Initials: NS Rail Year: 2008

210. RESULTS OF OPERATIONS

(Dollars in Thousands)

1 Disclose the requested information for the respondent pertaining to the results of operations for the year.

2 Report total operating expenses from Schedule 410 of this report. Any disparities in expense amounts shown in this schedule and expense amounts reported in Schedule 410 must be fully explained on page 18.

3 List dividends from investments accounted for under the cost method on the appropriate line No. 19 for Account No. 513, "Dividend Income." List dividends accounted for by the equity method on the appropriate dividend line No. 25 under the "Income from Affiliated Companies" subsection of this schedule

4. All contra entries hereunder should be indicated in parenthesis

5. Cross-checks**Schedule 210**

Line 15, column (b)

Line 47 plus 48 plus 49, column (b)

Line 50, column (b)

Line 14, column (b)

Line 14, column (d)

Line 14, column (e)

Schedule 210

= Line 62, column (b)

= Line 63, column (b)

= Line 64, column (b)

Schedule 410

= Line 620, column (h)

= Line 620, column (f)

= Line 620, column (g)

Line No.	Cross Check	Item	Amount for current year	Amount for preceding year	Freight-related revenue & expenses	Passenger-related revenue & expenses	Line No.
		(a)	(b)	(c)	(d)	(e)	
		ORDINARY ITEMS					
		OPERATING INCOME					
		Railway Operating Income					
1		(101) Freight	10,330,756	9,147,037	10,330,756		1
2		(102) Passenger					2
3		(103) Passenger-Related					3
4		(104) Switching	71,986	65,490	71,986		4
5		(105) Water Transfers					5
6		(106) Demurrage	129,170	119,141	129,170		6
7		(110) Incidental	129,428	100,731	129,428		7
8		(121) Joint Facility-Credit (Debit)					8
9		(122) Joint Facility-Debit (Credit)					9
10		(501) Railway operating revenues (Exclusive of transfers from Government Authorities-lines 1-9)	10,661,340	9,432,399	10,661,340		10
11		(502) Railway operating revenues-Transfers from Government Authorities for current operations					11
12		(503) Railway operating revenues-Amortization of deferred transfers from Government Authorities					12
13		TOTAL RAILWAY OPERATING REVENUES (lines 10-12)	10,661,340	9,432,399	10,661,340		13
14		(531) Railway operating expenses	7,803,714	7,052,511	7,803,714		14
15		Net revenue from railway operations	2,857,626	2,379,888	2,857,626		15
		OTHER INCOME					
16		(506) Revenue from property used in other than carrier operations	1,956	1,499			16
17		(510) Miscellaneous rent income	41,121	39,437			17
18		(512) Separately operated properties-Profit					18
19		(513) Dividend Income (cost method)	25,173	20,636			19
20		(514) Interest Income	32,878	151,733			20
21		(516) Income from sinking and other funds	6	13			21
22		(517) Release of premiums on funded debt					22
23		(518) Reimbursements received under contracts and agreements					23
24		(519) Miscellaneous income	122,951	235,637			24
		Income from affiliated companies: 519					
25		a. Dividends (equity method)					25
26		b. Equity in undistributed earnings (losses)	(659)	(216)			26
27		TOTAL OTHER INCOME (lines 16-26)	223,426	448,739			27
28		TOTAL INCOME (lines 15, 27)	3,081,052	2,828,627			28
		MISCELLANEOUS DEDUCTIONS FROM INCOME					
29		(534) Expenses of property used in other than carrier operations	20,498	21,007			29
30		(544) Miscellaneous taxes					30
31		(545) Separately operated properties-Loss					31
32		(549) Maintenance of investment organization					32
33		(550) Income transferred under contracts and agreements					33
34		(551) Miscellaneous income charges	566,758	675,663			34
35		(553) Uncollectible accounts					35
36		TOTAL MISCELLANEOUS DEDUCTIONS (lines 29-35)	587,256	696,670			36
37		Income available for fixed charges (lines 28, 36)	2,493,796	2,131,957			37

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Road Initials: NS Rail Year: 2008

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210. RESULTS OF OPERATIONS - Continued (Dollars in Thousands)					
Line No.	Cross Check	Item (a)	Amount for current year (b)	Amount for preceding year (c)	Line No.
		FIXED CHARGES			
		(546) Interest on funded debt:			
38		(a) Fixed interest not in default	45,830	50,813	38
39		(b) Interest in default			39
40		(547) Interest on unfunded debt	121,489	164,701	40
41		(548) Amortization of discount on funded debt	115	301	41
42		TOTAL FIXED CHARGES (lines 38-41)	167,434	215,815	42
43		Income after fixed charges (lines 37, 42)	2,326,362	1,916,142	43
		OTHER DEDUCTIONS			
		(546) Interest on funded debt:			
44		(c) Contingent interest			44
		UNUSUAL OR INFREQUENT ITEMS			
45		(555) Unusual or infrequent items (debit) credit			45
46		Income (Loss) from continuing operations (before income taxes)	2,326,362	1,916,142	46
		PROVISIONS FOR INCOME TAXES			
		(556) Income taxes on ordinary income:			
47	*	(a) Federal income taxes	479,028	480,475	47
48	*	(b) State income taxes	70,780	62,842	48
49	*	(c) Other income taxes			49
50	*	(557) Provision for deferred taxes	344,925	147,584	50
51		TOTAL PROVISIONS FOR INCOME TAXES (lines 47-50)	894,733	690,901	51
52		Income from continuing operations (lines 46+51)	1,431,629	1,225,241	52
		DISCONTINUED OPERATIONS			
53		(560) Income or loss from operations of discontinued segments (less applicable income taxes of \$)			53
54		(562) Gain or loss on disposal of discontinued segments (less applicable income taxes of \$)			54
55		Income before extraordinary items (lines 52+53+54)	1,431,629	1,225,241	55
		EXTRAORDINARY ITEMS AND ACCOUNTING CHANGES			
56		(570) Extraordinary items (Net)			56
57		(590) Income taxes on extraordinary items			57
58		(591) Provision for deferred taxes-Extraordinary items			58
59		TOTAL EXTRAORDINARY ITEMS (lines 56-58)			59
60		(592) Cumulative effect of changes in accounting principles (less applicable tax of \$)			60
61	*	Net Income (Loss) (lines 55+59+60)	1,431,629	1,225,241	61
		Reconciliation of net railway operating income(NROI)			
62		Net revenues from railway operation	2,857,626	2,379,888	62
63	*	(556) Income taxes on ordinary income (-)	(549,808)	(543,317)	63
64	*	(557) Provision for deferred income taxes (-)	(344,925)	(147,584)	64
65		Income from lease of road and equipment (-)	(7,736)	(8,961)	65
66		Rent for leased roads and equipment (+)	23,758	24,000	66
67		Net railway operating income (loss)	1,978,915	1,704,026	67

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Road Initials: SOO Year: 2008

210. RESULTS OF OPERATIONS

(Dollars in thousands)

1. Disclose requested information for the respondent pertaining to the results of operations for the year.
2. Report total operating expenses from Sched. 410. Any differences between this schedule and Sched. 410 must be explained on page 18
3. List dividends from investments accounted for under the cost method on line No. 19, and list dividends accounted for under the equity method on line 25.
4. All contra entries hereunder should be indicated in parenthesis.

5. Cross-checks:

Schedule 210
Line 15, column (b)
Line 47, 48, 49 col (b)
Line 50, col (b)

Schedule 210
= Line 62, col (b)
= Line 63, col (b)
= Line 64, col (b)

Line 14, column (b)
Line 14, column (d)
Line 14, column (e)

Schedule 410
= Line 620, col (h)
= Line 620, col (f)
= Line 620, col (g)

Line No.	Cross Check	Item (a)	Amount for current year (b)	Amount for preceding year (c)	Freight-related revenue & expenses (d)	Passenger-related revenue & expenses (e)	Line No.
		ORDINARY ITEMS					
		OPERATING INCOME					
		Railway Operating Income					
1		(101) Freight	847,237	769,166	847,237	0	1
2		(102) Passenger	0	0	0	0	2
3		(103) Passenger-Related	0	0	0	0	3
4		(104) Switching	8,767	8,333	8,767	0	4
5		(105) Water Transfers	0	0	0	0	5
6		(106) Demurrage	7,609	7,215	7,609	0	6
7		(110) Incidental	1,225	959	1,225	0	7
8		(121) Joint Facility-Credit	0	0	0	0	8
9		(122) Joint Facility-Debit	0	0	0	0	9
10		(501) Railway operating revenues (Exclusive of transfers from Government Authorities-lines 1-9)	864,838	785,673	864,838	0	10
11		(502) Railway operating revenues-Transfers from Government Authorities	0	0	0	0	11
12		(503) Railway operating revenues-Amortization of deferred transfers from Government Authorities	287	287	287	0	12
13		TOTAL RAILWAY OPERATING REVENUES (lines 10-12)	865,125	785,960	865,125	0	13
14		(531) Railway operating expenses	631,694	554,599	631,694	0	14
15		Net revenue from railway operations	233,431	231,361	233,431	0	15
		OTHER INCOME					
16		(506) Revenue from property used in other than carrier operations	0	0			16
17		(510) Miscellaneous rent income	6,867	6,057			17
18		(512) Separately operated properties-Profit	0	0			18
19		(513) Dividend income (cost method)	2	2			19
20		(514) Interest income	3,481	7,477			20
21		(516) Income from sinking and other funds	0	0			21
22		(517) Release of premiums on funded debt	0	0			22
23		(518) Reimbursements received under contracts and agreements	0	0			23
24		(519) Miscellaneous income	1,722	3,628			24
		Income from affiliated companies: 519					
25		a Dividends (equity method)	392	392			25
26		b Equity in undistributed earnings (losses)	4,892	3,364			26
27		TOTAL OTHER INCOME (lines 16-26)	17,356	20,920			27
28		TOTAL INCOME (lines 15, 27)	250,787	252,281			28
		MISCELLANEOUS DEDUCTIONS FROM INCOME					
29		(534) Expenses of property used in other than carrier operations	0	0			29
30		(544) Miscellaneous taxes	0	0			30
31		(545) Separately operated properties-loss	0	0			31
32		(549) Maintenance of investment organization	0	0			32
33		(550) Income transferred under contracts and agreements	0	0			33
34		(551) Miscellaneous income charges	683	727			34
35		(553) Uncollectible accounts	0	0			35
36		TOTAL MISCELLANEOUS DEDUCTIONS	683	727			36
37		Income available for fixed charges	250,104	251,554			37

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Road Initials: SOO Year: 2008

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210. RESULTS OF OPERATIONS - Continued (Dollars in thousands)					
Line No.	Cross Check	Item (a)	Amount for current year (b)	Amount for preceding year (c)	Line No.
		FIXED CHARGES			
		(546) Interest on funded debt:			
38		(a) Fixed interest not in default	27,504	32,647	38
39		(b) Interest in default	0	0	39
40		(547) Interest on unfunded debt	311	(239)	40
41		(548) Amortization of discount on funded debt	0	0	41
42		TOTAL FIXED CHARGES (lines 38 through 41)	27,815	32,408	42
43		Income after fixed charges (lines 37 minus line 42)	222,289	219,146	43
		OTHER DEDUCTIONS			
		(546) Interest on funded debt:			
44		(c) Contingent interest	0	0	44
		UNUSUAL OR INFREQUENT ITEMS			
45		(555) Unusual or infrequent items (debit) credit	0	0	45
46		Income (loss) from continuing operations (before income taxes)	222,289	219,146	46
		PROVISIONS FOR INCOME TAXES			
		(556) Income taxes on ordinary income:			
47		(a) Federal income taxes	48,198	36,734	47
48		(b) State income taxes	2,124	5,775	48
49		(c) Other income taxes	0	0	49
50		(557) Provision for deferred taxes	31,520	41,553	50
51		TOTAL PROVISIONS FOR INCOME TAXES (lines 47 through 50)	81,842	84,062	51
52		Income from continuing operations (line 46 minus line 51)	140,447	135,084	52
		DISCONTINUED OPERATIONS			
53		(560) Income or loss from operations of discontinued segments (less applicable income taxes of \$)	0	0	53
54		(562) Gain or loss on disposal of discontinued segments (less applicable income taxes of \$)	0	0	54
55		Income before extraordinary items (lines 52 through 54)	140,447	135,084	55
		EXTRAORDINARY ITEMS AND ACCOUNTING CHANGES			
56		(570) Extraordinary items (net)	0	0	56
57		(590) Income taxes on extraordinary items	0	0	57
58		(591) Provision for deferred taxes-Extraordinary items	0	0	58
59		TOTAL EXTRAORDINARY ITEMS (lines 56 through 58)	0	0	59
60		(592) Cumulative effect of changes in accounting principles (less applicable tax of \$0)	0	0	60
61		Net income (loss) (lines 55 + 59 + 60)	140,447	135,084	61
		Reconciliation of net railway operating income (NROI)			
62		Net revenues from railway operations	233,431	231,361	62
63		(556) Income taxes on ordinary income (-)	50,322	42,509	63
64		(557) Provision for deferred income taxes (-)	31,520	41,553	64
65		Income from lease of road and equipment (-)	0	0	65
66		Rent for leased roads and equipment (+)	368	152	66
67		Net railway operating income (loss)	151,957	147,451	67

210 RESULTS OF OPERATIONS (Dollars in Thousands)							
Line No.	Cross Check	Item (a)	Amount for current year (b)	Amount for preceding year (c)	Freight-related revenue and expenses (d)	Passenger-related revenue and expenses (e)	Line No.
<p>1 Disclose the requested information for respondent pertaining to results of operations for the year.</p> <p>2 Report total operating expenses from Schedule 410. Any differences between this schedule and Schedule 410 must be explained on page 18.</p> <p>3 List dividends from investments accounted for under the cost method on line 19, and list dividends accounted for under the equity method on line 25.</p> <p>4 All contra entries should be shown in parenthesis.</p>							
			Schedule 210 Line 15, col b Lines 47, 48, 49 col b Line 50, col b		Schedule 210 = Line 62, col b = Line 63, col b = Line 64, col b		
			Line 14, col b Line 14, col d Line 14, col e		Schedule 410 = Line 620, col h = Line 620, col f = Line 620, col g		
1		ORDINARY ITEMS OPERATING INCOME Railway Operating Income					
1		(101) Freight	17,118,316	15,485,792	17,118,316		1
2		(102) Passenger	82,487	73,219		82,487	2
3		(103) Passenger-Related	981	623		981	3
4		(104) Switching	146,522	141,805	146,522		4
5		(105) Water Transfers					5
6		(106) Demurrage	106,529	97,768	106,529		6
7		(110) Incidental	375,748	360,130	375,748		7
8		(121) Joint Facility-Credit	15,527	11,549	15,527		8
9		(122) Joint Facility-Debit					9
10		(501) Railway operating revenues (Exclusive of transfers from government authorities-lines 1-9)	17,846,110	16,170,886	17,762,642	83,468	10
11		(502) Railway operating revenues-transfers from government authorities	88,734	78,187		88,734	11
12		(503) Railway operating revenues-amortization of deferred transfers from government authorities					12
13		TOTAL RAILWAY OPERATING REVENUES (lines 10-12)	17,934,844	16,249,053	17,762,642	172,202	13
14		(531) Railway operating expenses	14,075,010	13,083,808	13,905,607	169,403	14
15		Net revenue from railway operations	3,859,834	3,165,445	3,857,035	2,799	15
OTHER INCOME							
16		(506) Revenue from property used in other than carrier operations	31,429	19,339			16
17		(510) Miscellaneous rent income	82,536	70,802			17
18		(512) Separately operated properties-Profit					18
19		(513) Dividend income (cost method)	100	95			19
20		(514) Interest income	4,944	12,841			20
21		(516) Income from sinking and other funds					21
22		(517) Release of premiums on funded debt	4,262	4,497			22
23		(518) Reimbursements received under contracts and agreements					23
24		(519) Miscellaneous income	47,882	65,058			24
Income from affiliated companies: 519							
25		a. Dividends (equity method)	16,160	45,247			25
26		b. Equity in undistributed earnings (losses)	69,378	46,637			26
27		TOTAL OTHER INCOME (lines 16-26)	256,691	264,516			27
28		TOTAL INCOME (lines 15, 27)	4,116,525	3,429,981			28
MISCELLANEOUS DEDUCTIONS FROM INCOME							
29		(534) Expenses of property used in other than carrier operations	10,421	9,645			29
30		(544) Miscellaneous taxes					30
31		(545) Separately operated properties-Loss					31
32		(549) Maintenance of investment organization					32
33		(550) Income transferred under contracts and agreements					33
34		(551) Miscellaneous income charges	81,737	87,908			34
35		(553) Uncollectible accounts					35
36		TOTAL MISCELLANEOUS DEDUCTIONS	92,158	97,553			36
37		Income available for fixed charges	4,024,367	3,332,408			37

Road Initials: UPRR Year: 2008

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210. RESULTS OF OPERATIONS - (Concluded)					
(Dollars in Thousands)					
Line No.	Cross Check	Item (a)	Amount for current year (b)	Amount for preceding year (c)	Line No
FIXED CHARGES					
		(546) Interest on funded debt:			
38		(a) Fixed interest not in default	108,367	108,144	38
39		(b) Interest in default			39
40		(547) Interest on unfunded debt	304,240	333,602	40
41		(548) Amortization of discount on funded debt	2,051	1,783	41
42		TOTAL FIXED CHARGES (lines 38-41)	414,658	443,509	42
43		Income after fixed charges (line 37 minus line 42)	3,609,709	2,888,899	43
OTHER DEDUCTIONS					
		(546) Interest on funded debt:			
44		(c) Contingent interest	7,578	7,594	44
UNUSUAL OR INFREQUENT ITEMS					
45		(555) Unusual or infrequent items (debit) credit			45
46		Income (Loss) from continuing operations (before income taxes)	3,602,131	2,881,305	46
PROVISIONS FOR INCOME TAXES					
		(556) Income taxes on ordinary income:			
47	*	(a) Federal income taxes	733,405	751,638	47
48	*	(b) State income taxes	62,369	68,136	48
49	*	(c) Other income taxes	(225,701)	(25,881)	49
50	*	(557) Provision for deferred taxes	734,549	304,798	50
51		TOTAL PROVISIONS FOR INCOME TAXES (lines 47-52)	1,304,622	1,098,891	51
52		Income from continuing operations (line 46 minus line 51)	2,297,509	1,782,414	52
DISCONTINUED OPERATIONS					
53		(560) Income or loss from operations of discontinued segments (less applicable income taxes of \$ _____)			53
54		(562) Gain or loss on disposal of discontinued segments (less applicable income taxes of \$ _____)			54
55		Income before extraordinary items (lines 52 - 54)	2,297,509	1,782,414	55
EXTRAORDINARY ITEMS AND ACCOUNTING CHANGES					
56		(570) Extraordinary items (Net)			56
57		(590) Income taxes on extraordinary items			57
58		(591) Provision for deferred taxes - Extraordinary items			58
59		TOTAL EXTRAORDINARY ITEMS (lines 56-58)			59
60		(592) Cumulative effect of changes in accounting principles (less applicable income taxes of \$ _____)			60
61	*	Net income (Loss) (Lines 55 + 59 + 60)	2,297,509	1,782,414	61
RECONCILIATION OF NET RAILWAY OPERATING INCOME (NROI)					
62	*	Net revenues from railway operations	3,859,834	3,185,445	62
63	*	(556) Income taxes on ordinary income (-)	(570,073)	(794,093)	63
64	*	(557) Provision for deferred income taxes (-)	(734,549)	(304,798)	64
65		Income from lease of road and equipment (-)			65
66		Rent for leased roads and equipment (+)	3,131	3,099	66
67		Net railway operating income (loss)	2,558,343	2,089,653	67

Note: Line 49 reflects unrecognized tax benefits expense due to the adoption of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, an Interpretation of FASB Statement No. 109 (FIN 48)

BNSF Tax Rate for Texas for 2008

Corporate Activities Tax

Operating Revenue	18,132,372	from R-1 Schedule 210 Line 13
Net Inc. Bef. Tax	3,737,473	from R-1 Schedule 210 Line 46
Taxable Receipts	12,692,660	70% of Operating Revenue
 Tax Rate	 1.000%	 Texas Margins Tax on 70% of Gross Receipts
State Taxes	126,927	Tax Rate x Taxable Receipts
 Effective Tax Rate	 3.396%	 State Taxes divided by Taxable Earnings

Notes

This calculation assumes that the ratio of NIBT to Operating Revenue will be the same in every state

CNGT Tax Rate for Texas for 2008

Corporate Activities Tax

Operating Revenue	2,400,269	from R-1 Schedule 210 Line 13
Net Inc. Bef. Tax	533,745	from R-1 Schedule 210 Line 46
Taxable Receipts	1,680,188	70% of Operating Revenue
 Tax Rate	 1.000%	 Texas Margins Tax on 70% of Gross Receipts
State Taxes	16,802	Tax Rate x Taxable Receipts
 Effective Tax Rate	 3.148%	 State Taxes divided by Taxable Earnings

Notes

This calculation assumes that the ratio of NIBT to Operating Revenue will be the same in every state.

CSX Tax Rate for Texas for 2008

Corporate Activities Tax

Operating Revenue	10,219,153	from R-1 Schedule 210 Line 13
Net Inc. Bef. Tax	2,148,190	from R-1 Schedule 210 Line 46
Taxable Receipts	7,153,407	70% of Operating Revenue
Tax Rate	1.000%	Texas Margins Tax on 70% of Gross Receipts
State Taxes	71,534	Tax Rate x Taxable Receipts
Effective Tax Rate	3.330%	State Taxes divided by Taxable Earnings

Notes

This calculation assumes that the ratio of NIBT to Operating Revenue will be the same in every state.

KCS Tax Rate for Texas for 2008

Corporate Activities Tax

Operating Revenue	1,029,503	from R-1 Schedule 210 Line 13
Net Inc. Bef. Tax	177,055	from R-1 Schedule 210 Line 46
Taxable Receipts	720,652	70% of Operating Revenue
Tax Rate	1.000%	Texas Margins Tax on 70% of Gross Receipts
State Taxes	7,207	Tax Rate x Taxable Receipts
Effective Tax Rate	4.070%	State Taxes divided by Taxable Earnings

Notes

This calculation assumes that the ratio of NIBT to Operating Revenue will be the same in every state.

NS Tax Rate for Texas for 2008

Corporate Activities Tax

Operating Revenue	10,661,340	from R-1 Schedule 210 Line 13
Net Inc Bef Tax	2,326,362	from R-1 Schedule 210 Line 46
Taxable Receipts	7,462,938	70% of Operating Revenue
Tax Rate	1.000%	Texas Margins Tax on 70% of Gross Receipts
State Taxes	74,629	Tax Rate x Taxable Receipts
Effective Tax Rate	3.208%	State Taxes divided by Taxable Earnings

Notes

This calculation assumes that the ratio of NIBT to Operating Revenue will be the same in every state

SOO Tax Rate for Texas for 2008

Corporate Activities Tax

Operating Revenue	865,125	from R-1 Schedule 210 Line 13
Net Inc. Bef. Tax	222,289	from R-1 Schedule 210 Line 46
Taxable Receipts	605,588	70% of Operating Revenue
Tax Rate	1.000%	Texas Margins Tax on 70% of Gross Receipts
State Taxes	6,056	Tax Rate x Taxable Receipts
Effective Tax Rate	2.724%	State Taxes divided by Taxable Earnings

Notes

This calculation assumes that the ratio of NIBT to Operating Revenue will be the same in every state.

UP Tax Rate for Texas for 2008

Corporate Activities Tax

Operating Revenue	17,934,844	from R-1 Schedule 210 Line 13
Net Inc. Bef Tax	3,602,131	from R-1 Schedule 210 Line 46
Taxable Receipts	12,554,391	70% of Operating Revenue
Tax Rate	1.000%	Texas Margins Tax on 70% of Gross Receipts
State Taxes	125,544	Tax Rate x Taxable Receipts
Effective Tax Rate	3.485%	State Taxes divided by Taxable Earnings

Notes

This calculation assumes that the ratio of NIBT to Operating Revenue will be the same in every state

BNSF Average State Tax Rate for 2008

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State	Income			
	Miles BNSF	Tax Rate	Pct Miles	Pct Miles x Tax Rate
Alabama	244	6.500%	0.76119%	0.04948%
Arizona	595	6.968%	1.85618%	0.12934%
Arkansas	1,047	6.500%	3.26626%	0.21231%
California	2,130	8.840%	6.64483%	0.58740%
Colorado	1,399	4.630%	4.36437%	0.20207%
Connecticut	0	0.000%	0.00000%	0.00000%
Delaware	0	8.700%	0.00000%	0.00000%
Dist. of Columbia	0	9.975%	0.00000%	0.00000%
Florida	0	5.500%	0.00000%	0.00000%
Georgia	0	6.000%	0.00000%	0.00000%
Idaho	123	7.600%	0.38372%	0.02916%
Illinois	1,552	7.300%	4.84168%	0.35344%
Indiana	0	8.500%	0.00000%	0.00000%
Iowa	673	12.000%	2.09952%	0.25194%
Kansas	1,708	7.100%	5.32834%	0.37831%
Kentucky	99	6.000%	0.30884%	0.01853%
Louisiana	348	8.000%	1.08563%	0.08685%
Maine	0	0.000% *	0.00000%	0.00000%
Maryland	0	8.250%	0.00000%	0.00000%
Massachusetts	0	6.500%	0.00000%	0.00000%
Michigan	0	6.039%	0.00000%	0.00000%
Minnesota	1,686	9.800%	5.25971%	0.51545%
Mississippi	179	5.000%	0.55842%	0.02792%
Missouri	1,759	6.250%	5.48744%	0.34297%
Montana	1,927	6.750%	6.01154%	0.40578%
Nebraska	1,529	7.810%	4.76993%	0.37253%
Nevada	805	0.000%	2.51131%	0.00000%
New Hampshire	0	0.000% *	0.00000%	0.00000%
New Jersey	0	0.000%	0.00000%	0.00000%
New Mexico	1,357	7.600%	4.23335%	0.32173%
New York	0	0.000%	0.00000%	0.00000%
North Carolina	0	6.900%	0.00000%	0.00000%
North Dakota	1,732	6.500%	5.40321%	0.35121%
Ohio	0	1.700%	0.00000%	0.00000%
Oklahoma	1,412	6.000%	4.40493%	0.26430%
Oregon	386	6.600%	1.20418%	0.07948%
Pennsylvania	0	9.990%	0.00000%	0.00000%
Rhode Island	0	0.000% *	0.00000%	0.00000%
South Carolina	0	5.000%	0.00000%	0.00000%
South Dakota	925	0.000%	2.88567%	0.00000%
Tennessee	144	6.500%	0.44923%	0.02920%
Texas	4,941	3.396% *	15.41413%	0.52347%
Utah	434	5.000%	1.35392%	0.06770%
Vermont	0	0.000% *	0.00000%	0.00000%
Virginia	0	6.000%	0.00000%	0.00000%
Washington	1,678	0.000%	5.23475%	0.00000%
West Virginia	0	8.750%	0.00000%	0.00000%
Wisconsin	273	7.900%	0.85166%	0.06728%
Wyoming	970	0.000%	3.02605%	0.00000%
Total U.S.	32,055		100.00000%	5.6678%

There is no Class I railroad mileage in Alaska, Hawaii, Maine, New Hampshire, Rhode Island, and Vermont.

Mileages are from Annual Report Form R-1, Schedule 702, Column (g)

Tax rates are from the web site of the Tax Foundation, Washington, DC

AAR and railroads have reviewed Tax Foundation numbers and made corrections if necessary.

Rate for Texas is calculated, and may vary by railroad

No rounding until final number.

CNGT Average State Tax Rate for 2008

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State	Income			
	Miles CNGT	Tax Rate	Pct Miles	Pct Miles x Tax Rate
Alabama	41	6.500%	0.60849%	0.03955%
Arizona	0	6.968%	0.00000%	0.00000%
Arkansas	0	6.500%	0.00000%	0.00000%
California	0	8.840%	0.00000%	0.00000%
Colorado	0	4.630%	0.00000%	0.00000%
Connecticut	0	0.000%	0.00000%	0.00000%
Delaware	0	8.700%	0.00000%	0.00000%
Dist. of Columbia	0	9.975%	0.00000%	0.00000%
Florida	0	5.500%	0.00000%	0.00000%
Georgia	0	6.000%	0.00000%	0.00000%
Idaho	0	7.600%	0.00000%	0.00000%
Illinois	1,518	7.300%	22.52894%	1.64461%
Indiana	81	8.500%	1.20214%	0.10218%
Iowa	605	12.000%	8.97893%	1.07747%
Kansas	0	7.100%	0.00000%	0.00000%
Kentucky	107	6.000%	1.58801%	0.09528%
Louisiana	263	8.000%	3.90324%	0.31226%
Maine	0	0.000% *	0.00000%	0.00000%
Maryland	0	8.250%	0.00000%	0.00000%
Massachusetts	0	6.500%	0.00000%	0.00000%
Michigan	1,016	6.039%	15.07866%	0.91053%
Minnesota	435	9.800%	6.45592%	0.63268%
Mississippi	851	5.000%	12.62986%	0.63149%
Missouri	0	6.250%	0.00000%	0.00000%
Montana	0	6.750%	0.00000%	0.00000%
Nebraska	0	7.810%	0.00000%	0.00000%
Nevada	0	0.000%	0.00000%	0.00000%
New Hampshire	0	0.000% *	0.00000%	0.00000%
New Jersey	0	0.000%	0.00000%	0.00000%
New Mexico	0	7.600%	0.00000%	0.00000%
New York	0	0.000%	0.00000%	0.00000%
North Carolina	0	6.900%	0.00000%	0.00000%
North Dakota	0	6.500%	0.00000%	0.00000%
Ohio	7	1.700%	0.10389%	0.00177%
Oklahoma	0	6.000%	0.00000%	0.00000%
Oregon	0	6.600%	0.00000%	0.00000%
Pennsylvania	155	9.990%	2.30039%	0.22981%
Rhode Island	0	0.000% *	0.00000%	0.00000%
South Carolina	0	5.000%	0.00000%	0.00000%
South Dakota	0	0.000%	0.00000%	0.00000%
Tennessee	145	6.500%	2.15197%	0.13988%
Texas	0	3.148% *	0.00000%	0.00000%
Utah	0	5.000%	0.00000%	0.00000%
Vermont	0	0.000% *	0.00000%	0.00000%
Virginia	0	6.000%	0.00000%	0.00000%
Washington	0	0.000%	0.00000%	0.00000%
West Virginia	0	8.750%	0.00000%	0.00000%
Wisconsin	1,514	7.900%	22.46958%	1.77510%
Wyoming	0	0.000%	0.00000%	0.00000%
Total U.S.	6,738		100.00000%	7.59260%

There is no Class I railroad mileage in Alaska, Hawaii, Maine, New Hampshire, Rhode Island, and Vermont.

Mileages are from Annual Report Form R-1, Schedule 702, Column (g)

Tax rates are from the web site of the Tax Foundation, Washington, DC

AAR and railroads have reviewed Tax Foundation numbers and made corrections if necessary.

Rate for Texas is calculated, and may vary by railroad.

No rounding until final number.

CSX Average State Tax Rate for 2008

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State	Income			
	Miles CSX	Tax Rate	Pct Miles	Pct Miles x Tax Rate
Alabama	1,014	6.500%	4.80751%	0.31249%
Arizona	0	6.968%	0.00000%	0.00000%
Arkansas	0	6.500%	0.00000%	0.00000%
California	0	8.840%	0.00000%	0.00000%
Colorado	0	4.630%	0.00000%	0.00000%
Connecticut	68	0.000%	0.32240%	0.00000%
Delaware	44	8.700%	0.20861%	0.01815%
Dist of Columbia	20	9.975%	0.09482%	0.00946%
Florida	1,651	5.500%	7.82761%	0.43052%
Georgia	1,621	6.000%	7.68538%	0.46112%
Idaho	0	7.600%	0.00000%	0.00000%
Illinois	918	7.300%	4.35236%	0.31772%
Indiana	1,723	8.500%	8.16897%	0.69436%
Iowa	0	12.000%	0.00000%	0.00000%
Kansas	0	7.100%	0.00000%	0.00000%
Kentucky	1,644	6.000%	7.79442%	0.46767%
Louisiana	43	8.000%	0.20387%	0.01631%
Maine	0	0.000% *	0.00000%	0.00000%
Maryland	560	8.250%	2.65504%	0.21904%
Massachusetts	430	6.500%	2.03869%	0.13251%
Michigan	569	6.039%	2.69771%	0.16290%
Minnesota	0	9.800%	0.00000%	0.00000%
Mississippi	94	5.000%	0.44567%	0.02228%
Missouri	13	6.250%	0.06163%	0.00385%
Montana	0	6.750%	0.00000%	0.00000%
Nebraska	0	7.810%	0.00000%	0.00000%
Nevada	0	0.000%	0.00000%	0.00000%
New Hampshire	0	0.000% *	0.00000%	0.00000%
New Jersey	648	0.000%	3.07225%	0.00000%
New Mexico	0	7.600%	0.00000%	0.00000%
New York	1,290	0.000%	6.11606%	0.00000%
North Carolina	1,125	6.900%	5.33378%	0.36803%
North Dakota	0	6.500%	0.00000%	0.00000%
Ohio	1,914	1.700%	9.07453%	0.15427%
Oklahoma	0	6.000%	0.00000%	0.00000%
Oregon	0	6.600%	0.00000%	0.00000%
Pennsylvania	1,062	9.990%	5.03508%	0.50300%
Rhode Island	0	0.000% *	0.00000%	0.00000%
South Carolina	1,286	5.000%	6.09710%	0.30485%
South Dakota	0	0.000%	0.00000%	0.00000%
Tennessee	1,012	6.500%	4.79803%	0.31187%
Texas	0	3.330% *	0.00000%	0.00000%
Utah	0	5.000%	0.00000%	0.00000%
Vermont	0	0.000% *	0.00000%	0.00000%
Virginia	1,047	6.000%	4.96397%	0.29784%
Washington	0	0.000%	0.00000%	0.00000%
West Virginia	1,296	8.750%	6.14451%	0.53764%
Wisconsin	0	7.900%	0.00000%	0.00000%
Wyoming	0	0.000%	0.00000%	0.00000%
Total U.S	21,092		100.00000%	5.74590%

There is no Class I railroad mileage in Alaska, Hawaii, Maine, New Hampshire, Rhode Island, and Vermont

Mileages are from Annual Report Form R-1, Schedule 702, Column (g).

Tax rates are from the web site of the Tax Foundation, Washington, DC

AAR and railroads have reviewed Tax Foundation numbers and made corrections if necessary.

Rate for Texas is calculated, and may vary by railroad.

No rounding until final number.

KCS Average State Tax Rate for 2008

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State	Income			
	Miles KCS	Tax Rate	Pct Miles	Pct Miles x Tax Rate
Alabama	0	6.500%	0.00000%	0.00000%
Arizona	0	6.968%	0.00000%	0.00000%
Arkansas	162	6.500%	5.11848%	0.33270%
California	0	8.840%	0.00000%	0.00000%
Colorado	0	4.630%	0.00000%	0.00000%
Connecticut	0	0.000%	0.00000%	0.00000%
Delaware	0	8.700%	0.00000%	0.00000%
Dist. of Columbia	0	9.975%	0.00000%	0.00000%
Florida	0	5.500%	0.00000%	0.00000%
Georgia	0	6.000%	0.00000%	0.00000%
Idaho	0	7.600%	0.00000%	0.00000%
Illinois	182	7.300%	5.75039%	0.41978%
Indiana	0	8.500%	0.00000%	0.00000%
Iowa	0	12.000%	0.00000%	0.00000%
Kansas	18	7.100%	0.56872%	0.04038%
Kentucky	0	6.000%	0.00000%	0.00000%
Louisiana	737	8.000%	23.28594%	1.86288%
Maine	0	0.000% *	0.00000%	0.00000%
Maryland	0	8.250%	0.00000%	0.00000%
Massachusetts	0	6.500%	0.00000%	0.00000%
Michigan	0	6.039%	0.00000%	0.00000%
Minnesota	0	9.800%	0.00000%	0.00000%
Mississippi	606	5.000%	19.14692%	0.95735%
Missouri	396	6.250%	12.51185%	0.78199%
Montana	0	6.750%	0.00000%	0.00000%
Nebraska	0	7.810%	0.00000%	0.00000%
Nevada	0	0.000%	0.00000%	0.00000%
New Hampshire	0	0.000% *	0.00000%	0.00000%
New Jersey	0	0.000%	0.00000%	0.00000%
New Mexico	0	7.600%	0.00000%	0.00000%
New York	0	0.000%	0.00000%	0.00000%
North Carolina	0	6.900%	0.00000%	0.00000%
North Dakota	0	6.500%	0.00000%	0.00000%
Ohio	0	1.700%	0.00000%	0.00000%
Oklahoma	151	6.000%	4.77093%	0.28626%
Oregon	0	6.600%	0.00000%	0.00000%
Pennsylvania	0	9.990%	0.00000%	0.00000%
Rhode Island	0	0.000% *	0.00000%	0.00000%
South Carolina	0	5.000%	0.00000%	0.00000%
South Dakota	0	0.000%	0.00000%	0.00000%
Tennessee	5	6.500%	0.15798%	0.01027%
Texas	908	4.070% *	28.68878%	1.16770%
Utah	0	5.000%	0.00000%	0.00000%
Vermont	0	0.000% *	0.00000%	0.00000%
Virginia	0	6.000%	0.00000%	0.00000%
Washington	0	0.000%	0.00000%	0.00000%
West Virginia	0	8.750%	0.00000%	0.00000%
Wisconsin	0	7.900%	0.00000%	0.00000%
Wyoming	0	0.000%	0.00000%	0.00000%
Total U.S.	3,165		100.00000%	5.85929%

There is no Class I railroad mileage in Alaska, Hawaii, Maine, New Hampshire, Rhode Island, and Vermont.

Mileages are from Annual Report Form R-1, Schedule 702, Column (g).

Tax rates are from the web site of the Tax Foundation, Washington, DC

AAR and railroads have reviewed Tax Foundation numbers and made corrections if necessary.

Rate for Texas is calculated, and may vary by railroad.

No rounding until final number.

NS Average State Tax Rate for 2008

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State	Income			
	Miles NS	Tax Rate	Pct Miles	Pct Miles x Tax Rate
Alabama	1,372	6.500%	6.68290%	0.43439%
Arizona	0	6.968%	0.00000%	0.00000%
Arkansas	0	6.500%	0.00000%	0.00000%
California	0	8.840%	0.00000%	0.00000%
Colorado	0	4.630%	0.00000%	0.00000%
Connecticut	0	0.000%	0.00000%	0.00000%
Delaware	203	8.700%	0.98880%	0.08603%
Dist. of Columbia	13	9.975%	0.06332%	0.00632%
Florida	149	5.500%	0.72577%	0.03992%
Georgia	1,778	6.000%	8.66050%	0.51963%
Idaho	0	7.600%	0.00000%	0.00000%
Illinois	1,260	7.300%	6.13736%	0.44803%
Indiana	1,527	8.500%	7.43790%	0.63222%
Iowa	44	12.000%	0.21432%	0.02572%
Kansas	2	7.100%	0.00974%	0.00069%
Kentucky	431	6.000%	2.09937%	0.12596%
Louisiana	81	8.000%	0.39454%	0.03156%
Maine	0	0.000% *	0.00000%	0.00000%
Maryland	269	8.250%	1.31028%	0.10810%
Massachusetts	0	6.500%	0.00000%	0.00000%
Michigan	642	6.039%	3.12713%	0.18883%
Minnesota	0	9.800%	0.00000%	0.00000%
Mississippi	211	5.000%	1.02776%	0.05139%
Missouri	409	6.250%	1.99221%	0.12451%
Montana	0	6.750%	0.00000%	0.00000%
Nebraska	0	7.810%	0.00000%	0.00000%
Nevada	0	0.000%	0.00000%	0.00000%
New Hampshire	0	0.000% *	0.00000%	0.00000%
New Jersey	933	0.000%	4.54457%	0.00000%
New Mexico	0	7.600%	0.00000%	0.00000%
New York	791	0.000%	3.85290%	0.00000%
North Carolina	1,299	6.900%	6.32733%	0.43659%
North Dakota	0	6.500%	0.00000%	0.00000%
Ohio	2,233	1.700%	10.87677%	0.18491%
Oklahoma	0	6.000%	0.00000%	0.00000%
Oregon	0	6.600%	0.00000%	0.00000%
Pennsylvania	2,339	9.990%	11.39308%	1.13817%
Rhode Island	0	0.000% *	0.00000%	0.00000%
South Carolina	783	5.000%	3.81393%	0.19070%
South Dakota	0	0.000%	0.00000%	0.00000%
Tennessee	848	6.500%	4.13054%	0.26849%
Texas	0	3.208% *	0.00000%	0.00000%
Utah	0	5.000%	0.00000%	0.00000%
Vermont	0	0.000% *	0.00000%	0.00000%
Virginia	2,080	6.000%	10.13151%	0.60789%
Washington	0	0.000%	0.00000%	0.00000%
West Virginia	833	8.750%	4.05748%	0.35503%
Wisconsin	0	7.900%	0.00000%	0.00000%
Wyoming	0	0.000%	0.00000%	0.00000%
Total U.S.	20,530		100.00000%	6.00505%

There is no Class I railroad mileage in Alaska, Hawaii, Maine, New Hampshire, Rhode Island, and Vermont.

Mileages are from Annual Report Form R-1, Schedule 702, Column (g).

Tax rates are from the web site of the Tax Foundation, Washington, DC

AAR and railroads have reviewed Tax Foundation numbers and made corrections if necessary.

Rate for Texas is calculated, and may vary by railroad.

No rounding until final number.

SOO Average State Tax Rate for 2008

Appendix E Page 6 of 7

State	Miles SOO	Income		
		Tax Rate	Pct Miles	Pct Miles x Tax Rate
Alabama	0	6.500%	0.00000%	0.00000%
Arizona	0	6.968%	0.00000%	0.00000%
Arkansas	0	6.500%	0.00000%	0.00000%
California	0	8.840%	0.00000%	0.00000%
Colorado	0	4.630%	0.00000%	0.00000%
Connecticut	0	0.000%	0.00000%	0.00000%
Delaware	0	8.700%	0.00000%	0.00000%
Dist. of Columbia	0	9.975%	0.00000%	0.00000%
Florida	0	5.500%	0.00000%	0.00000%
Georgia	0	6.000%	0.00000%	0.00000%
Idaho	0	7.600%	0.00000%	0.00000%
Illinois	363	7.300%	11.11111%	0.81111%
Indiana	197	8.500%	6.03000%	0.51255%
Iowa	0	12.000%	0.00000%	0.00000%
Kansas	0	7.100%	0.00000%	0.00000%
Kentucky	0	6.000%	0.00000%	0.00000%
Louisiana	0	8.000%	0.00000%	0.00000%
Maine	0	0.000% *	0.00000%	0.00000%
Maryland	0	8.250%	0.00000%	0.00000%
Massachusetts	0	6.500%	0.00000%	0.00000%
Michigan	342	6.039%	10.46832%	0.63213%
Minnesota	1,240	9.800%	37.95531%	3.71962%
Mississippi	0	5.000%	0.00000%	0.00000%
Missouri	0	6.250%	0.00000%	0.00000%
Montana	0	6.750%	0.00000%	0.00000%
Nebraska	0	7.810%	0.00000%	0.00000%
Nevada	0	0.000%	0.00000%	0.00000%
New Hampshire	0	0.000% *	0.00000%	0.00000%
New Jersey	0	0.000%	0.00000%	0.00000%
New Mexico	0	7.600%	0.00000%	0.00000%
New York	0	0.000%	0.00000%	0.00000%
North Carolina	0	6.900%	0.00000%	0.00000%
North Dakota	482	10.000%	14.75360%	1.47536%
Ohio	30	1.700%	0.91827%	0.01561%
Oklahoma	0	6.000%	0.00000%	0.00000%
Oregon	0	6.600%	0.00000%	0.00000%
Pennsylvania	0	9.990%	0.00000%	0.00000%
Rhode Island	0	0.000% *	0.00000%	0.00000%
South Carolina	0	5.000%	0.00000%	0.00000%
South Dakota	6	0.000%	0.18365%	0.00000%
Tennessee	0	6.500%	0.00000%	0.00000%
Texas	0	2.724% *	0.00000%	0.00000%
Utah	0	5.000%	0.00000%	0.00000%
Vermont	0	0.000% *	0.00000%	0.00000%
Virginia	0	6.000%	0.00000%	0.00000%
Washington	0	0.000%	0.00000%	0.00000%
West Virginia	0	8.750%	0.00000%	0.00000%
Wisconsin	607	7.900%	18.57974%	1.46780%
Wyoming	0	0.000%	0.00000%	0.00000%
Total U.S.	3,267		100.00000%	8.63418%

There is no Class I railroad mileage in Alaska, Hawaii, Maine, New Hampshire, Rhode Island, and Vermont.

Mileages are from Annual Report Form R-1, Schedule 702, Column (g).

Tax rates are from the web site of the Tax Foundation, Washington, DC

AAR and railroads have reviewed Tax Foundation numbers and made corrections if necessary.

Rate for Texas is calculated, and may vary by railroad.

No rounding until final number.

UP Average State Tax Rate for 2008

Appendix E Page 7 of 7

State	Income			
	Miles UP	Tax Rate	Pct Miles	Pct Miles x Tax Rate
Alabama	0	6.500%	0.00000%	0.00000%
Arizona	642	6.968%	2.00550%	0.13974%
Arkansas	1,331	6.500%	4.15782%	0.27026%
California	3,302	8.840%	10.31488%	0.91184%
Colorado	1,522	4.630%	4.75447%	0.22013%
Connecticut	0	0.000%	0.00000%	0.00000%
Delaware	0	8.700%	0.00000%	0.00000%
Dist of Columbia	0	9.975%	0.00000%	0.00000%
Florida	0	5.500%	0.00000%	0.00000%
Georgia	0	6.000%	0.00000%	0.00000%
Idaho	849	7.600%	2.65213%	0.20156%
Illinois	2,204	7.300%	6.88492%	0.50260%
Indiana	4	8.500%	0.01250%	0.00106%
Iowa	1,435	12.000%	4.48269%	0.53792%
Kansas	2,206	7.100%	6.89117%	0.48927%
Kentucky	12	6.000%	0.03749%	0.00225%
Louisiana	1,138	8.000%	3.55492%	0.28439%
Maine	0	0.000% *	0.00000%	0.00000%
Maryland	0	8.250%	0.00000%	0.00000%
Massachusetts	0	6.500%	0.00000%	0.00000%
Michigan	0	6.039%	0.00000%	0.00000%
Minnesota	659	9.800%	2.05860%	0.20174%
Mississippi	0	5.000%	0.00000%	0.00000%
Missouri	1,527	6.250%	4.77009%	0.29813%
Montana	125	6.750%	0.39048%	0.02636%
Nebraska	1,068	7.810%	3.33625%	0.26056%
Nevada	1,192	0.000%	3.72360%	0.00000%
New Hampshire	0	0.000% *	0.00000%	0.00000%
New Jersey	0	0.000%	0.00000%	0.00000%
New Mexico	618	7.600%	1.93053%	0.14672%
New York	0	0.000%	0.00000%	0.00000%
North Carolina	0	6.900%	0.00000%	0.00000%
North Dakota	0	6.500%	0.00000%	0.00000%
Ohio	0	1.700%	0.00000%	0.00000%
Oklahoma	1,175	6.000%	3.67050%	0.22023%
Oregon	1,054	6.600%	3.29252%	0.21731%
Pennsylvania	0	9.990%	0.00000%	0.00000%
Rhode Island	0	0.000% *	0.00000%	0.00000%
South Carolina	0	5.000%	0.00000%	0.00000%
South Dakota	0	0.000%	0.00000%	0.00000%
Tennessee	14	6.500%	0.04373%	0.00284%
Texas	6,331	3.485% *	19.77696%	0.68928%
Utah	1,261	5.000%	3.93915%	0.19696%
Vermont	0	0.000% *	0.00000%	0.00000%
Virginia	0	6.000%	0.00000%	0.00000%
Washington	532	0.000%	1.66188%	0.00000%
West Virginia	0	8.750%	0.00000%	0.00000%
Wisconsin	932	7.900%	2.91141%	0.23000%
Wyoming	879	0.000%	2.74585%	0.00000%
Total U.S.	32,012		100.00000%	6.05116%

There is no Class I railroad mileage in Alaska, Hawaii, Maine, New Hampshire, Rhode Island, and Vermont

Mileages are from Annual Report Form R-1, Schedule 702, Column (g).

Tax rates are from the web site of the Tax Foundation, Washington, DC

AAR and railroads have reviewed Tax Foundation numbers and made corrections if necessary

Rate for Texas is calculated, and may vary by railroad.

No rounding until final number

**BEFORE THE
SURFACE TRANSPORTATION BOARD**

**SIMPLIFIED STANDARDS FOR)
RATE CASES – TAXES IN REVENUE)
SHORTFALL ALLOCATION METHOD)**

EX PARTE NO. 646 (Sub- No. 2)

**WORK PAPERS OF
THE ASSOCIATION OF AMERICAN RAILROADS**

**John T. Gray
Senior Vice President
Association of American Railroads
50 F Street, N.W.
Washington, DC 20001**

October 23, 2009

WORK PAPERS FOR EX PARTE NO. 646 (Sub-No. 2)

CONTENTS

Comments from Railroads Part 1

Additional Information Part 2

AZ – Page 1 of tax form with tax rate at line 16.

KS – Tax form with Line 21 Normal Tax rate and Line 22 Surtax rate.

MA –Tax instructions for Utility Tax rate instead of the Corporate rate.

MD –Tax instructions page with tax rate for 2008.

MI – Michigan Business Tax rate and surcharge.

ND – North Dakota Water's Edge Election surcharge.

AAR Work Papers Part 1

Crimmel, Clyde

From: Cox, Mike F. (Taxation) [mike.cox@nscorp.com]
Sent: Monday, October 19, 2009 3:29 PM
To: Crimmel, Clyde
Subject: RE: 2008 NS Calculation for EP 646-1

Clyde – I have the following comments:

- (1) NY and NJ remain states where NS does not report income taxes but reports other types of taxes that are in operating expenses;
- (2) Kansas should be 7.1%;
- (3) OH is 1.7%; and
- (4) Michigan should be 6,038505% (4.95% plus a 21.99% surcharge)

From: Crimmel, Clyde [mailto:CCrimmel@aar.org]
Sent: Monday, October 05, 2009 11:29 AM
To: Cox, Mike F. (Taxation)
Subject: 2008 NS Calculation for EP 646-1

Mike,

Here is our NS calculation so far.
<<Appendix E NS page.pdf>>

A. Clyde Crimmel, Jr.
Director - Statistical Information
Association of American Railroads

Crimmel, Clyde

From: Paul Guthrie [Paul_Guthrie@cpr.ca]
Sent: Wednesday, October 07, 2009 1:57 PM
To: Crimmel, Clyde
Cc: jbrimsek@brimseklaw.com
Subject: FW: ExParte 646 Weighted Avg State Inc Tax Rate for 2008

Clyde. We concur with the data in the attachments for the tax rates is correct except that Soo Line's North Dakota tax rate is 10% instead of 6.5% due to the surtax on our waters edge election. North Dakota is a unitary state which includes all companies of the consolidated parent company in the computation. So that we do not need to include the CP worldwide income in the North Dakota income tax computation we make this waters edge election. For U.S. companies with no foreign active companies they do not need to make this election and their rate would be 6.5%.

regards Paul

From: Crimmel, Clyde [mailto:CCrimmel@aar.org]
Sent: Monday, October 05, 2009 10:03 AM
To: Paul Guthrie
Subject: ExParte 646 Weighted Avg State Inc Tax Rate for 2008

Paul,

The Surface Transportation Board has asked the AAR to calculate state tax income rates for 2008. If you will recall from our work last February on rates for earlier years, some states have a franchise tax that railroads report as an excise (or excise-like) tax in operating expenses instead of state income taxes -- those are zeroed for our purpose. I have attached the recent STB directive, my preliminary state income tax rate list (for this purpose), and a preliminary Soo Line calculation assuming that I have correct tax rates. Similar to what was done last February, please have someone review my tax rates list (at least the SOO portion), and let me know if any changes should be made. Of particular concern are OH and MI.

Sorry for the short notice, but we have to file on October 23, and we will need some time to circulate a near-final draft among the railroads. I have completed a first-draft and Appendices that have been forwarded to the AAR legal team's Ken Kolsen. If you could respond sometime this week, it would be very helpful. If necessary, we can work with a response next week. We may use any railroad responses as part of our workpapers submitted to the Board.

Is there someone in accounting that I should be working with?
<<EP 646-2 2009 09 22.pdf>> <<State Tax Rates 2008.pdf>> <<Appendix E CP-Soo page.pdf>>
A. Clyde Crimmel, Jr.
Director - Statistical Information
Association of American Railroads
425 3rd Street SW, Suite 1000
Washington, DC 20024
202.639.2309 (direct line)
ccrimmel@aar.org

----- IMPORTANT NOTICE - AVIS IMPORTANT -----

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10/7/2009

AAR Work Papers Part 2

ARIZONA FORM 120

Arizona Corporation Income Tax Return

2008

For the calendar year 2008 or fiscal year beginning [M,M,D,D]Y,Y,Y,Y and ending [M,M,D,D]Y,Y,Y,Y

Mail to: Arizona Department of Revenue, PO Box 29079, Phoenix AZ 85038-9079

CHECK ONE:

Calendar year ☐ Fiscal year ☐
Employer identification number (EIN)

Business telephone number	Please Type or Print	Name	AZ transaction privilege tax number
		Number and street or PO Box	
		City, or town, state, and ZIP code	
Business activity code number (from federal Form 1120)			

- 68** Check box if: ☐ This is a first return ☐ Name change ☐ Address change
- A** Is FEDERAL return filed on a consolidated basis? ☐ Yes ☐ No
If yes, list EIN of common parent from consolidated return: _____
- B** ARIZONA filing method: (check only one) See instructions, pages 1-2.
1 ☐ Separate company 2 ☐ Combined (unitary group) 3 ☐ Consolidated
- C** If ARIZONA filing method is combined or consolidated, see Form 51 instructions.
Are there any additions or deletions on Form 51? ☐ Yes ☐ No
- D** ARIZONA apportionment: (check only one) Multistate corporations only.
☐ AIR Carrier ☐ STANDARD Sales Factor ☐ ENHANCED Sales Factor
- E** Is this the corporation's final ARIZONA return? ☐ Yes ☐ No
If yes, check one: ☐ Dissolved ☐ Withdrawn ☐ Merged/Reorganized
List EIN of the successor corporation, if any: _____

82 CHECK BOX IF:
Return filed under extension. ☐ 82 F ☐

REVENUE USE ONLY. DO NOT MARK IN THIS AREA.

1 Taxable income - per attached federal return	1	00
2 Additions to taxable income - from page 2, Schedule A, line A11	2	00
3 Total taxable income - add lines 1 and 2	3	00
4 Subtractions from taxable income - from page 2, Schedule B, line B12	4	00
5 Adjusted income - subtract line 4 from line 3. WHOLLY ARIZONA CORPORATIONS GO TO LINE 13	5	00
6 Arizona adjusted income - from line 5. MULTISTATE CORPORATIONS ONLY	6	00
7 Nonapportionable or allocable amounts - from page 3, Schedule D, line D8. Multistate corporations only	7	00
8 Adjusted business income - subtract line 7 from line 6. Multistate corporations only	8	00
9 Arizona apportionment ratio - from Schedule C or Schedule ACA	9	00
10 Adjusted business income apportioned to Arizona - line 8 multiplied by line 9. Multistate corporations only	10	00
11 Other income allocated to Arizona - from page 3, Schedule E, line E7. Multistate corporations only	11	00
12 Adjusted income attributable to Arizona - add lines 10 and 11. Multistate corporations only	12	00
13 Arizona Income before NOL - from line 5 or line 12	13	00
14 Arizona basis net operating loss carryover - attach computation schedule	14	00
15 Arizona taxable income - subtract line 14 from line 13	15	00
16 Enter tax. Tax is 6.968 percent of line 15 or fifty dollars (\$50), whichever is greater	16	00
17 Tax from recapture of tax credits - from Form 300, Part II, line 22	17	00
18 Subtotal - add lines 16 and 17	18	00
19 Clean Elections Fund Tax Reduction. Check this box to send \$5 to the fund and reduce the tax (line 18) by \$5. Enter the amount of the tax reduction	19A <input type="checkbox"/>	00
20 Nonrefundable tax credits - from Arizona Form 300, Part II, line 43	20	00
21 Credit type - enter form number for each nonrefundable credit claimed	21	00
22 Tax liability - subtract the sum of lines 19 and 20 from line 18	22	00
23 Clean Elections Fund Tax Credit. SEE INSTRUCTIONS BEFORE COMPLETING THIS LINE	23	00
24 Tax liability after Clean Elections Fund tax credit - subtract line 23 from line 22	24	00
25 Extension payment made with Form 120EXT - see instructions	25	00
26 Estimated tax payments - see instructions	26	00
27 Total payments - see instructions	27	00
28 Balance of tax due - If line 24 is larger than line 27, enter balance of tax due. Skip line 29	28	00
29 Overpayment of tax - If line 27 is larger than line 24, enter overpayment of tax	29	00
30 Penalty and interest	30	00
31 Estimated tax underpayment penalty. If Form 220 is attached, check box	31A <input type="checkbox"/>	00
32 Donation to Citizens Clean Elections Fund - see instructions	32	00
33 TOTAL DUE - see instructions	33	00
34 OVERPAYMENT - see instructions	34	00
35 Amount of line 34 to be applied to 2009 estimated tax	35	00
36 Amount to be refunded - subtract line 35 from line 34	36	00

the average percent from Form K-120AS, Part VI, line E or K-121, Part II, line 5. NOTE: Round percentage to the fourth decimal point only. If your business is wholly within Kansas enter 100.0000.

LINE 15—AMOUNT TO KANSAS

Multiply line 13 by line 14 and enter the result on line 15.

LINE 16—NONBUSINESS INCOME - KANSAS

Enter the total amount of nonbusiness net income directly allocated to Kansas. Enclose a schedule to support the amount shown.

LINE 17—KANSAS NET INCOME BEFORE NOL DEDUCTION

Add lines 15 and 16 and enter the result on line 17.

LINE 18—KANSAS NET OPERATING LOSS DEDUCTION

Enter on line 18 the amount of any Kansas net operating loss carry forward to which you are entitled. This amount cannot exceed the amount on line 17. Submit a separate schedule to support the amount shown and any remaining carry over available.

LINE 19—COMBINED REPORT OR ALTERNATIVE/ SEPARATE ACCOUNTING INCOME

If you are filing a combined report (Schedule K-121) or are authorized to file using the alternative or separate accounting method, enter on line 19 the Kansas taxable income from:

- line 19 of Schedule K-121; OR,
- a separate schedule prepared by you (Separate/Alternative Method of Reporting)

LINE 20—KANSAS TAXABLE INCOME

Subtract line 18 from line 17 or enter the amount from line 19, whichever is applicable. If the result is a negative figure, enter zero.

LINE 21—NORMAL TAX

Multiply the amount shown on line 20 by 4% and enter the result on line 21.

LINE 22—SURTAX

Multiply the amount shown on line 20 in excess of \$50,000 by 3.1% and enter the result on line 22.

LINE 23—TOTAL TAX

Add lines 21 and 22. Enter the result on line 23. If Schedule K-121 was used to determine income, enter the tax computed on Schedule K-121, line 22.

LINE 24—TOTAL NONREFUNDABLE CREDITS

Enter the total nonrefundable credits from line 28, Part I, of the Nonrefundable Credits section. This amount cannot exceed the amount on line 23 of K-120.

LINE 25—BALANCE

Subtract line 24 from line 23 and enter result on line 25. This amount cannot be less than zero.

LINE 26—ESTIMATED TAX PAID AND AMOUNT CREDITED FORWARD

Enter the total of all 2008 estimated tax payments you made plus any 2007 overpayment you had credited forward to 2008.

LINE 27—OTHER TAX PAYMENTS

Enter the amount paid with your extension of time to file and any withholding amounts reported on Form K-19. Enclose Form(s) K-19.

LINE 28—AMOUNT PAID WITH KANSAS EXTENSION

Enter the amount paid with your request for an extension of time to file.

LINE 29—BUSINESS MACHINERY & EQUIPMENT PROPERTY TAX CREDIT

If you have a business machinery and equipment property tax credit from Schedule K-64, enter the amount of your credit on line 29. Enclose a copy of your completed Schedule K-64 (page 25) with Form K-120.

LINE 30—TOTAL OF ALL OTHER REFUNDABLE CREDITS

Enter the total of all other refundable credits from line 39, Part I, of the Refundable Credits section. Do not include the Business Machinery and Equipment Property Tax Credit (from Schedule K-64) here.

LINE 31—PAYMENT REMITTED ON ORIGINAL RETURN

Use this line if you are filing an amended Corporate Income Tax return for the 2008 tax year. Enter the amount of money you remitted to the Kansas Department of Revenue with your original 2008 return or any payment remitted with a previously filed 2008 amended return, including penalty and interest.

LINE 32—OVERPAYMENT FROM ORIGINAL RETURN

Use this line ONLY if you are filing an amended income tax return for the 2008 tax year. Enter the amount of overpayment shown on your original return. Since you were refunded the overpayment or it was credited forward, the amount is a subtraction entry.

LINE 33—TOTAL PREPAID CREDITS

Add lines 26 through 31 and subtract line 32. Enter the result on line 33.

LINE 34—BALANCE DUE

LINE 34—BALANCE DUE

If line 25 is greater than line 33, subtract line 33 from line 25 and enter the result on line 34.

Late Charges

If the amount on line 34 is not paid by the due date or if a balance due return is filed after the due date, penalty and interest are added according to the rules outlined in lines 35 and 36.

Extension of Time to File Your Return: Interest is due on any delinquent tax balance, even if you have been granted

MA

Form P.S.1 Instructions

Who Must File a Public Service Corporation Franchise Tax Return?

All utility corporations subject to Massachusetts General Laws (MGL) Ch. 63, sec. 52A, and which do any or all of their business in Massachusetts must complete and file Massachusetts Form P.S.1. Utility corporations are as follows:

- Every incorporated electric company and gas company subject to MGL Ch. 164;
- Every incorporated water company and aqueduct company subject to MGL Ch. 165;
- Every incorporated telephone and telegraph company subject to MGL Ch. 166;
- Every incorporated railroad and railway company subject to MGL Ch. 160 and every corporation qualified under said MGL Ch. 160, sec. 131A to acquire, own and operate terminal facilities from steam, electric or other types of railroad;
- Every incorporated street railway subject to MGL Ch. 161;
- Every incorporated electric railroad subject to MGL Ch. 162;
- Every incorporated trackless trolley company subject to MGL Ch. 163;
- Every domestic or foreign pipeline corporation engaged in the transportation or sale of natural gas within the Commonwealth; or
- Every foreign corporation which is not subject to the above chapters, but which does an electric, gas, water, aqueduct, telephone, telegraph, railroad, railway, electric railroad, trackless trolley or bus business within the Commonwealth and has, prior to January 1, 1952, been subject to taxation under MGL Ch. 63, secs. 53-60.

When Must Form P.S.1 Be Filed?

Form P.S.1 must be filed on or before the 15th day of the 3rd month after the close of the utility corporation's taxable year. A late return incurs a penalty of 1% per month (or fraction thereof), up to a maximum of 25% of the tax due. The penalty for late payment of the tax is ¼% per month (or fraction thereof) of the balance due, up to a maximum of 25%.

Can a Corporation Get an Extension of Time to File?

Yes. Utility corporations may request a six-month extension of time to file Form P.S.1 by submitting Massachusetts Form 355-7004 Misc. on or before the original due date of the return. At or before the time of filing Form 355-7004 Misc., the utility corporation must pay in full the estimated tax due. Failure to pay at least 50% of the total tax due as shown on your return will result in the voiding of the extension and the imposition of a late filing penalty.

What Is a Valid Return?

A valid return is a return upon which all required amounts have been entered in all appropriate lines on all forms. Data sheets, account forms or other schedules may be enclosed to explain amounts entered on the forms. However, referencing items to enclosures in lieu of properly entering all amounts onto the return is not sufficient.

A properly filed return must also include exact and complete copies of all four pages of the corporation's U.S. Form 1120 or 1120A. Copies of all accompanying schedules and supplemental statements must be enclosed.

Reproduction of returns must be approved by the DOR prior to filing and meet the criteria provided in Technical Information Release 95-8. Please address form approvals to The Banking and Insurance Unit, PO Box 7052, Boston, MA 02204.

Failure to meet any of the requirements detailed in this section may result in a penalty for filing an insufficient return. Such penalties may be assessed at double the amount of the tax due.

When Must a Corporation Pay Estimated Taxes?

Any utility corporation which reasonably estimates its franchise tax to be more than \$1,000 must pay estimated taxes. Payments must be made in quarterly installments of 40%, 25%, 25% and 10% of the estimated annual tax liability.

Note: New corporations in their first full taxable year with less than 10 employees have different estimated payment percentages — 30%, 25%, 25% and 20% respectively.

Public Utility companies that underpay, or fail to pay, their estimated taxes may incur an additional penalty on the amount of the underpayment for the period of the underpayment. Form M-2220, Underpayment of Massachusetts Estimated Tax by Corporations, is used to compute the additional charge.

Any corporation having \$1 million or more of federal taxable income in any of its three preceding taxable years (as defined in section 6655 (g) of the IRC) may only use its prior year's tax liability to calculate its first quarterly estimated tax payment. Any reduction in the first installment payment that results from using this method must be added to the second installment payment.

How Is the Corporation Franchise Tax Determined?

The tax for utility corporations is 6¼% of net income. For tax purposes, net income is gross income from all sources, without exclusion, other than dividends from investment in 80% or more of the voting stock of another utility corporation, less deductions allowed by the Internal Revenue Code in effect for the taxable year. Deductions are not allowed for dividends received, losses sustained in other taxable years, and income, franchise and capital stock taxes. Any credits allowed under the Internal Revenue Code for the taxable year are not allowed in Massachusetts.

Are Combined Returns Allowed?

No. Public service corporations are not allowed to participate in the filing of combined returns.

Line Instructions

If your return is not for the calendar year, enter at the top of the form the dates of your taxable year. If the return covers less than a full fiscal year, the taxable year is the twelve month period ending with the close of the period covered by the return.

Should the Whole Dollar Method be Used?

Yes. All amounts entered on Form P.S.1 must be rounded off to the nearest dollar.

Registration Information

If your corporation has undergone a federal audit for some prior year, you must report any changes to Massachusetts on Form CA-6. You must report any federal audit changes within three months after the final determination of the correct taxable income by the IRS. Otherwise, you will be subject to a penalty. If the federal change results in less tax due to Massachusetts than was assessed or paid, you may apply for abatement under the federal change rules within one year of the final federal determination. Answering "yes" to this question does not relieve the utility corporation from this filing obligation.

If the utility corporation is requesting alternative apportionment under Chapter 63, sec. 42, check the box and enclose Form AA-1. Schedule O must also be completed and the tax paid according to the statutory three-factor formula. However, alternative treatment may be requested and a refund will be issued if such treatment is granted by the Commissioner. For further information, see MGL Chapter 63, sec. 42 or 830 CMR 63.42.1.

Maryland Corporation Taxpayers

This booklet contains the necessary forms and instructions for a corporation to file a Maryland corporation income tax return for tax year 2008. Please read the instructions and forms carefully.

Please use blue or black ink when completing your forms and checks.

To avoid delays in the processing of your return: do not use pencil or ink of any other color; do not print returns on colored paper; do not write on, staple or punch holes in the barcode.

S corporation forms are not included in this booklet. S corporations, partnerships, limited liability companies and business trusts must use the pass-through entity tax return, Form 510.

Manufacturing corporations are subject to a special single factor formula of receipts. The rules for calculating this single factor can be found in Maryland Tax Regulation 03.04.03.10.

Direct Deposit of refunds is available for all corporations.

Form 500CR

Form 500CR is used by individuals and businesses to claim allowable business tax credits, as listed below. See page 4 of the instructions for more information about these tax credits.

Bio-Heating Oil Tax Credit

Biotechnology Investment Incentive Tax Credit

Businesses That Create New Jobs Tax Credit

Cellulosic Ethanol Technology Research & Development Tax Credit

Clean Energy Incentive Tax Credit

Community Investment Tax Credit

Commuter Tax Credit

Employer Provided Long-Term Care Insurance Tax Credit

Employment Opportunity Tax Credit

Enterprise Zone Tax Credit

Green Building Tax Credit

Job Creation Tax Credit

Long-Term Employment of Qualified Ex-Felons Tax Credit

Maryland Disability Employment Tax Credit

Maryland-Mined Coal Tax Credit

One Maryland Economic Development Tax Credit

Research and Development Tax Credits

Telecommunications Property Tax Credit

Water Quality Improvement Tax Credit

Work Based Student Learning Program Tax Credit

A non-refundable tax credit will be available for an employer who pays wages in a work based student learning program. This will be available beginning in tax year 2009 and after.

New for tax years beginning in 2008

◆ **Tax Rate Change:** the corporation income tax rate is 8.25 %

◆ **Cellulosic Ethanol Technology Research and Development Tax Credit.** A credit can now be taken for cellulosic ethanol technology qualified research and development expenses. The credit ends December 31, 2016.

◆ **Bio-Heating Oil Tax Credit.** A credit can now be taken in the amount of 3¢ for every gallon of bio-heating oil purchased for space or water heating, not to exceed the lesser of \$500 or the state income tax for the tax year.

◆ **Corporate Reporting.** Certain corporations that are members of a corporate group are required to file pro forma combined returns for tax years beginning after December 31, 2005. These returns *must* be completed and submitted at www.marylandtaxes.com. The pro forma returns must be filed in addition to the actual return due for each tax year, but they have no impact on Maryland corporate income tax liability. The pro forma returns for tax year 2006 were due October 15, 2008. Tax year 2007 are due by the extension due date (October 15, 2008 for calendar year taxpayers). Returns for tax years 2008 through 2010 are also due by the extension due date. These reporting requirements expire after tax year 2010. Additional information regarding these new corporate reporting requirements can be found on the Comptroller's Web site or by calling our dedicated hotline (410-767-3015 or toll free 1-866-588-2086). **Note: A penalty may be assessed for failure to file a required pro forma tax return or provide information that is accurate and timely.**

Filing electronically: You may file your Maryland Corporation or Pass-Through Entity returns electronically using the Modernized e-File method of Federal/State 1120/1065 filing. For further information, contact our e-File Help Desk at 410-260-7753 or visit www.marylandtaxes.com

Forms and help

For online business registration, tax forms, instructions, publications, and Maryland Tax Regulations, visit at:
www.marylandtaxes.com

E-mail your tax questions to us at:
taxhelp@comp.state.md.us

For assistance, call:

410-260-7980

in Central Maryland or
1-800-MDTAXES (638-2937)

from elsewhere

Formas en Español

Visite nuestro sitio Web en www.marylandtaxes.com para obtener formas e instrucciones en Español.

2008 General Information for Standard Taxpayers

Fiscal Year Filers: See "Supplemental Instructions for Initial Fiscal Michigan Business Tax (MBT) Filers" on page 133.

Insurance Companies and Financial Institutions: See the *MBT Instruction Booklet for Insurance Companies* (Form 4592) or the *MBT Instruction Booklet for Financial Institutions* (Form 4599) at www.michigan.gov/taxes.

This booklet is intended as a guide to help complete the Michigan Business Tax (MBT) return. It does not take the place of the law.

End of Single Business Tax (SBT) – Beginning of Michigan Business Tax (MBT)

SBT was repealed on business activity after December 31, 2007 (Public Act (PA) 325 of 2006). MBT became effective January 1, 2008 (PA 36 of 2007).

Who Files a Standard Return?

All taxpayers other than financial institutions and insurance companies (described here as standard taxpayers) with apportioned or allocated gross receipts equal to \$350,000 or more must file an *MBT Annual Return* (Form 4567) or an *MBT Simplified Return* (Form 4583).

EXCEPTION: Standard taxpayers that are owned by and unitary with financial institutions should file the *MBT Annual Return for Financial Institutions* (Form 4590).

Insurance companies and financial institutions will calculate tax liability using specialized tax bases and rules, which are covered in separate booklets (see the *Insurance Company Annual Return for Michigan Business and Retaliatory Taxes* (Form 4588) and Form 4590, respectively).

Using This Booklet

This MBT booklet includes forms and instructions for all "standard taxpayers" (all filers except insurance companies and financial institutions). These forms are designed for calendar year 2008 and for fiscal years ending in 2008 or 2009.

Read the General Information first. Because MBT is a new tax, we recommend taxpayers and tax preparers also briefly review the instructions for all forms. A taxpayer might qualify for a credit and yet be unaware of it.

Fiscal year taxpayers should also review the "Supplemental Instructions for Initial Fiscal MBT Filers" on page 133.

Overview of MBT for Standard Taxpayers

MBT imposes both a Modified Gross Receipts Tax and a Business Income Tax on all standard taxpayers with apportioned or allocated gross receipts equal to \$350,000 or more, where:

- The Modified Gross Receipts Tax rate is 0.8 percent, and
- The Business Income Tax rate is 4.95 percent.

An annual surcharge of 21.99 percent is applied to the sum of both tax liabilities, where the surcharge amount levied against the taxpayer is capped at \$6,000,000 in any single tax year.

The statute then offers more than 35 credits that reduce the initial calculation of tax and surcharge. This includes a limited allowance of SBT credit carryforwards.

The Modified Gross Receipts Tax base consists of gross receipts less purchases from other firms and other subtractions. *Gross receipts* are defined as the entire amount received by a taxpayer from any activity carried on for direct or indirect gain, benefit, or advantage to the taxpayer or to others, with certain specific exceptions. (See pages 26 through 28.)

For most taxpayers, the Business Income Tax base is essentially that part of federal taxable income (as defined for MBT purposes) derived from business activity, with certain additions and subtractions.

For more comprehensive information regarding MBT, visit the MBT Web site at www.michigan.gov/mbt. The Web site contains information taxpayers may find helpful in determining their estimated tax liabilities. Note that reliance on information found on the Web site does not protect a taxpayer from imposition of interest and penalties should the sum of the taxpayer's estimated payments not equal 85 percent of the taxpayer's MBT liability for the current tax year.

Filing MBT Quarterly Tax Estimates for 2009

If estimated combined MBT liability for the year (including surcharge) is reasonably expected to exceed \$800, a standard taxpayer must file estimated returns either monthly or quarterly. Payments can be made with either of the following returns:

- *Michigan Business Tax Quarterly Return* (Form 4548), or
- *Combined Return for Michigan Taxes* (Form 160).

If paying quarterly, estimates are due on the 15th of the month following the end of the quarter. If filing monthly using Form 160, monthly payments may be filed on the 20th day of the month. For example, a taxpayer may file a monthly MBT estimate using Form 160 on April 20 rather than April 15 so long as the estimate for that month is consistent with the instructions in the paragraph below. For taxpayers electing to make monthly remittances by Electronic Funds Transfer (EFT) where the requirement to file a paper Form 160 has been waived, MBT estimates remain due on the 20th day of the month following the month's end. The estimated MBT for the quarter must also reasonably approximate the liability for the quarter.

The estimated payment made with each quarterly return must be computed on the actual Business Income Tax base and Modified Gross Receipts Tax base for the quarter, or 25 percent of the estimated annual total liability, plus the annual surcharge imposed. To avoid interest and penalty charges, estimated payments must equal at least 85 percent of the total liability for the tax year and the amount of each estimated payment must reasonably approximate the tax liability for that quarter. For tax years ending in 2009 and later, if the prior year's tax is \$20,000 or less, estimated tax may be based on the prior year's total tax liability paid in four equal installments. If the prior year's tax liability was reported for a period less than 12 months, this amount must be annualized. See "Filing if Tax Year Is Less

Whether a group of corporations is engaged in a unitary business depends on the facts and circumstances of each case. If unity of ownership exists, any of the following facts or circumstances creates a presumption that the unities of operation and use exist; therefore, the corporations are engaged in a unitary business if:

- All activities of the group are in the same general line or type of business;
- The activities of the group constitute different steps in a vertically structured enterprise; or
- The group is characterized by centralized management.

Water's edge election

A corporation required to file its North Dakota return using the worldwide unitary combined report method may elect to use the water's edge method. The water's edge election must be made on the return as originally filed and is binding for five consecutive years. *If the election is made, a corporation will be subject to a 3.5% surtax on its North Dakota taxable income.*

A domestic disclosure spreadsheet must be obtained from and filed with the Office of State Tax Commissioner the first year the property, payroll, or sales in foreign countries exceed ten million dollars and total assets exceed two hundred fifty million dollars, and every third year thereafter provided the property, payroll, or sales in foreign countries exceed ten million dollars and total assets exceed two hundred fifty million dollars.

Specific Instructions for Form 40, Page 1

Taxpayer Name

If filing a combined return (line 1 circle b) the return should be filed using the taxpayer name and federal identification number of the entity having activity in North Dakota.

If you previously filed a consolidated return (line 1, circles b1, b2, or c1) as a member of a unitary group and are still a member of that group, use the same taxpayer name and federal identification number as previously filed returns. If not, file using the name and federal identification number of another affiliate having activity in North Dakota in 2008.

Business Code

Enter the business code from the list found on our web site at www.nd.gov/tax that most closely corresponds to the area from which you derived the majority of your income for the tax year.

Line 1 Income

Mark the circle for the reporting method used to complete the return and enter the income reportable under that method. Mark ONE circle only.

a. Single Corporate Entity

The single corporate entity method reports income or loss of only one incorporated business that is not part of a unitary business. (See item "Method of corporation taxation" on page 2.)

If the single corporate entity method is used for both North Dakota and federal purposes, enter the federal taxable income from:

- Federal Form 1120, line 30; or
- Federal Form 1120-A, line 26.

If the single corporate entity method is used for North Dakota purposes and the corporation is included in a consolidated Federal Form 1120, enter the corporation's federal taxable income before consolidating adjustments/eliminations from:

- A pro forma separate company federal income tax return, line 30; or
- The by-company schedule showing gross income and deductions, which supports the consolidated federal taxable income.

Cooperatives and other business organizations using federal forms other than Federal Form 1120 must enter the federal taxable income from the appropriate form.

Combined Report

For North Dakota corporation income tax purposes, a "combined report" means an income tax return on which the tax liability is computed using the methods described in N.D.C.C. chs. 57-38, 57-38.1 and N.D. Admin. Code chs. 81-03-05.1, 81-03-05.2, 81-03-05.3, and 81-03-09.

Except for 100% North Dakota corporations required to file a consolidated tax return, it is essential to have a unitary business group of corporations before the combined report method can be used. For a discussion of a unitary business group of corporations, see item "Method of corporation taxation" on page 2.

If filing a combined report method North Dakota tax return where only one company apportions income to North Dakota (i.e., circle b or c is marked on Form 40, line 1), the answer to question #8 on page 2 of Form 40 will be "No".

If filing a combined report method North Dakota tax return where more than one company apportions income to North Dakota (i.e., circle b1, b2, or c1 is marked on Form 40, line 1), the answer to question #8 on page 2 of Form 40 will be "Yes".

b. Combined Report Method

Mark the "Combined Report Method" circle if Form 40 includes only one corporation from a unitary business which apportions its income to North Dakota.

The return should be filed using the taxpayer name and federal identification number of the entity having activity in North Dakota.

Complete Schedule WW on page 4 and enter the amount from line 13 on Form 40, line 1. Attach the completed Schedule WW to Form 40 when filed.

Answer "No" to question #8 on page 2 of Form 40.

b1. 100% North Dakota Corporations Consolidated Return Using the Combined Report Method

Mark the "100% North Dakota Consolidated Return" circle if the corporation is required to file one consolidated North Dakota return using the combined report method.

Two or more corporations are required to file one North Dakota return using the combined report method if the corporations are affiliated as parent and subsidiary, are filing a consolidated federal tax return, and all corporations are operating solely within North Dakota.

If circle b1 is marked:

1. Complete Schedule WW on page 4 and enter the amount from line 13 on Form 40, line 1. Attach the completed Schedule WW to Form 40 when filed.
2. Complete North Dakota Schedule CR, Parts I, II and III on pages 6, 7 and 8.
3. Answer "Yes" to question #8 on page 2 of Form 40.

Consolidated Return

For North Dakota corporation income tax purposes, a North Dakota "consolidated return" means a single corporation income tax return that reports the tax liability of more than one corporation engaged in business or having sources of income from North Dakota.